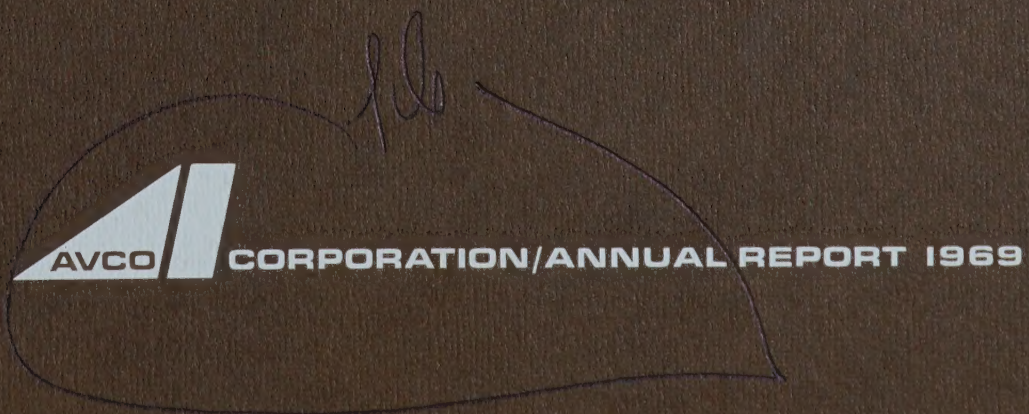


AR46







*This year the annual report was printed by the Roxbury Printing Division of the Avco Economic Systems Corporation. This division was formed by Avco in November 1967, in response to a Presidential appeal to the business community to provide jobs for the unskilled and underemployed in inner city areas.*

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## OPERATIONS PRODUCTS AND SERVICES

## FINANCIAL SERVICES

### INSURANCE

#### **THE PAUL REVERE LIFE INSURANCE COMPANY**

WORCESTER, MASSACHUSETTS

Noncancellable and guaranteed renewable accident and health insurance—all forms of life insurance and fixed dollar annuities—group insurance.

#### **THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY**

WORCESTER, MASSACHUSETTS

Individual and group variable annuities.

#### **THE PAUL REVERE COURIER FUND, INC.**

WORCESTER, MASSACHUSETTS

Mutual fund.

**Manager:** The Paul Revere Equity Management Company

**Distributor:** The Paul Revere Equity Sales Company

### CONSUMER FINANCE

#### **AVCO DELTA CORPORATION AND SUBSIDIARIES**

NEW YORK, NEW YORK; VARIOUS LOCATIONS IN THE UNITED STATES AND CANADA

Consumer loans—retail installment sales financing—commercial and industrial financing—industrial banking—real estate and home improvement financing—insurance.

#### **SEABOARD FINANCE COMPANY AND SUBSIDIARIES**

LOS ANGELES, CALIFORNIA; VARIOUS LOCATIONS IN THE UNITED STATES, CANADA AND AUSTRALIA

Consumer loans—retail installment sales financing—real estate financing—insurance.

### OTHER FINANCE OPERATIONS

#### **AVCO SAVINGS AND LOAN ASSOCIATION**

LOS ANGELES, VENTURA AND ORANGE COUNTIES, CALIFORNIA

Savings accounts—real property financing—educational and home improvement loans.

Coastline Mortgage Corporation  
Ventura, California

#### **CARTE BLANCHE CORPORATION**

LOS ANGELES, CALIFORNIA

Credit card facilities—direct mail and catalog sales of merchandise—travel services.

Cartan Travel Bureau, Inc.  
Chicago, Illinois



## RECREATION AND LAND DEVELOPMENT

### AVCO BROADCASTING CORPORATION

CINCINNATI, OHIO

VHF television stations—WLWT: Cincinnati, Ohio • WLWC: Columbus, Ohio • WLWD: Dayton, Ohio • WLWI: Indianapolis, Indiana • WOAI-TV: San Antonio, Texas.

Radio Stations—WLW: Cincinnati, Ohio • WOAI: San Antonio, Texas • WWDC-AM-FM: Washington, D. C. • KYA and KOIT (FM): San Francisco, California • WRTH: Wood River, Illinois.

Avco Radio Television Sales, Inc.  
New York, New York

### AVCO COMMUNITY DEVELOPERS, INC.

SAN DIEGO, CALIFORNIA

Residential, commercial, recreational and industrial land development.

Avland Development Company  
Newport Beach, California

### AVCO EMBASSY PICTURES CORP.

NEW YORK, NEW YORK; VARIOUS LOCATIONS IN  
THE UNITED STATES AND ABROAD

Worldwide motion picture production and distribution—theater operations—television sales—music publishing—records.

## PRODUCTS AND RESEARCH

### AVCO AEROSTRUCTURES DIVISION

NASHVILLE, TENNESSEE

Structures and assemblies for aircraft and helicopters—ballistic missile cases and space vehicle cold plates—engineering design and development programs—metal office furniture manufactured under contract.

### AVCO BAY STATE ABRASIVES DIVISION AND SUBSIDIARIES

WESTBORO, MASSACHUSETTS; TORRANCE, CALIFORNIA;  
BRANTFORD, ONTARIO, CANADA; STEINSEL, LUXEMBOURG

Vitrified and resin bonded grinding wheels and segments—honing stones—abrasive cutoff blades—diamond grinding wheels and cutoff blades—open-mesh coated abrasive cloth—plasma spray coatings and equipment.

### AVCO ECONOMIC SYSTEMS CORPORATION

WASHINGTON, D. C.; BOSTON, MASSACHUSETTS;  
GLASGOW, MONTANA; SAN ANTONIO, TEXAS

Educational and training services—full service printing and publishing—operation and maintenance of self-contained communities.

### AVCO ELECTRONICS DIVISION

CINCINNATI, OHIO; HUNTSVILLE, ALABAMA; TULSA, OKLAHOMA

Tactical communications, space electronics and radar systems—infrared systems—worldwide field engineering services—commercial electronics products—specialized instrumentation—information systems—travel trailers and motor homes.

### AVCO EVERETT RESEARCH LABORATORY

EVERETT AND HAVERHILL, MASSACHUSETTS

High power gas lasers—reentry physics—strategic defense systems—plasma dynamics—magnetohydrodynamic (MHD) power generation—superconductive devices—biomedical engineering and cardiac-assist devices.

### AVCO LYCOMING DIVISION

STRATFORD, CONNECTICUT; CHARLESTON, SOUTH CAROLINA

Aircraft, marine and industrial gas turbine engines—engine components—missile reentry vehicles and structural components—rocket motor cases—fuel and oxidizer tanks—ground support equipment—constant speed transmissions—aircraft mechanical controls—water and air dynamometers—torque measuring systems—engine testing equipment.

### AVCO LYCOMING DIVISION

WILLIAMSPORT, PENNSYLVANIA

Reciprocating engines for fixed wing aircraft and helicopters—engine components—hardened and ground precision parts—landing gears—Avco Spencer heating boilers—industrial diesel and gasoline engines.

### AVCO NEW IDEA FARM EQUIPMENT DIVISION

COLDWATER, OHIO; FORT DODGE, IOWA

Uni-System line of self-propelled interchangeable farm equipment—corn pickers, snappers, picker-shellers, picker-grinders—manure and fertilizer spreaders—farmstead equipment—hydraulic loaders and attachments—shredders, rotary cutters, mowers, hay conditioners, Mow/ditioners, Cut/ditioners, parallel bar rakes, wheel rakes.

### AVCO ORDNANCE DIVISION

RICHMOND, INDIANA

Design and production of mechanical, electro-mechanical and electronic elements of ammunition and warheads—weapon system fuzing—tactical weapons and other ordnance items.

### AVCO SYSTEMS DIVISION

WILMINGTON AND LOWELL, MASSACHUSETTS

Operational ICBM reentry systems and penetration aids—ABM target vehicles—scientific satellites—planetary probes—laser and optical systems—Apollo and missile heat shields—armor materials—advanced materials research and development—aerophysics research and testing—information technology systems.

### AVCO THOMPSON STEEL DIVISION

BOSTON, MASSACHUSETTS; BALTIMORE, MARYLAND;  
FRANKLIN PARK, ILLINOIS; WORCESTER, MASSACHUSETTS

Cold rolled strip steel—annealed high carbon steel—tempered spring steel—alloy strip steel—brush wire—staple wire—high carbon spring wire—bright and liquor finished fine wire specialties.

### MOFFATS LIMITED

WESTON AND ORILLIA, ONTARIO, CANADA

Gas and electric free-standing, cabinet and built-in ranges—refrigerators and dishwashers—clothes washers and dryers—commercial cooking and food service equipment—range heating elements.



## FINANCIAL SERVICES

Avco supplies a wide variety of financial services, ranging from insurance to consumer finance and credit card operations. The Paul Revere insurance companies, Avco Delta and Seaboard Finance, Carte Blanche, and Avco Savings and Loan are the major Avco units serving these areas.

### Insurance

The Paul Revere Life Insurance Company offers a complete line of life, endowment and retirement income policies and group life insurance plans. The company has also been a long-time leader in the writing of individual and group health insurance offering "loss of time" coverage and major medical and hospitalization plans. Almost all Paul Revere health policies are noncancellable and guaranteed renewable, providing the insured with the right to continue the policy at the contracted premium to a specified age, 60 in the case of women and 65 in the case of men.

Recently accelerated sales efforts have enabled Paul Revere to expand its life insurance business so as to give greater balance to its traditional strength in the health insurance area. The company is engaged in a continuing analysis of its business and the profitability of its risk categories to assist management in directing sales efforts to the most profitable market areas.

Variable annuity contracts are offered through a wholly owned subsidiary. As an equity savings product which provides the contract owner with deferred tax opportunities, acceptance of the variable annuity continues to broaden among retirement, pension, profit sharing, deferred compensation and self-employment retirement plans.

The Paul Revere Variable Annuity Insurance Company is now licensed in more than 40 states, and the number of its contract owners has grown to almost 5,000.





In August 1969, The Paul Revere Courier Fund, Inc. completed its federal registration requirements and commenced offering shares to the public. This mutual fund has the investment objective of long-term appreciation of capital and is currently being offered throughout most of the United States.

With the establishment of its own mutual fund, Paul Revere has joined a small group of forward thinking insurance companies which are developing new product lines to complement their traditional insurance programs. The addition of mutual fund shares to the Paul Revere product line gives its salesmen a wide range of alternative plans which can be meaningfully adapted to each customer's special requirements.

As part of its future planning, Paul Revere is proceeding with a program to further computerize all information relating to its outstanding individual life insurance contracts. When this

Advanced Life Insurance System (ALIS) has become operative, Paul Revere will have a unique management tool for use in future business projections and decision making.

### Consumer Finance

Last year represented a difficult challenge to finance companies generally, with interest rates reaching record highs in the United States. To cope with this higher cost, Avco's consumer finance subsidiaries made a continuing effort during the year to shift their available resources toward more profitable loans. These included real estate mortgage loans and loans in various states in which new legislation enabled the companies to increase the maximum amounts they could loan to individuals.

During 1970, Avco plans to consolidate the financial operations of Avco Delta and Seaboard Finance into a single operating entity. This



Over 800,000 Paul Revere policyholders depend on the home office staff for an important ingredient in the insurance business—accurate service. Pictured are some of the headquarters group whose activities assist the field agents in more than 100 offices in the U.S. and Canada.

Fast payment of claims is a characteristic of Paul Revere and it is this consideration for the policyholder that has helped to make the company one of the nation's leading writers of life and health insurance. Paul Revere has a record of handling 90 percent of claims within a week of submission.



plan is designed to increase operating efficiency and to unify the consumer finance portion of Avco's business under the name Avco Financial Services.

Avco first entered the consumer finance business when it formed Avco Delta in 1964. Avco Delta and its subsidiaries now conduct their operations through separate divisions having approximately 600 offices in more than 30 states of the United States and in all 10 Canadian provinces. Avco Delta's receivables total more than \$800 million.

The Avco Delta divisions are established on both a geographical and product line breakdown. Consumer loans and retail installment sales financing are handled by consumer finance divisions located in the United States and Canada. Other Canadian divisions supply automotive and wholesale financing, residential second mortgage loans, capital equipment loans and casualty and creditor insurance.

Avco Delta has approximately 600 offices in the United States and Canada. Most of them are new, modern installations staffed by alert, well-trained men and women who are kept informed of the company's policies and plans through a series of internal publications and training programs.

In the United States, the Home Improvement Division handles home improvement and second mortgage loans through 28 offices in 20 states. Another division offers wholesale credit services to farm equipment dealers.

In Colorado and California, Avco Delta operates industrial banking and thrift divisions. These subsidiaries operate under special legislation in each state permitting them to accept passbook and time deposits, make loans, purchase sales finance contracts and provide their customers with the types of services generally available at commercial banks, other than checking and trust services.

With the aim of providing a single location where many of the financial and insurance services offered by Avco Delta can be found, the company is establishing financial service centers in promising areas. Such facilities not only offer convenience to Avco Delta customers, but enable the company to





operate more efficiently and to counsel and serve the customer better by providing the individualized type of financing assistance which contributes most to the solution of his financial problems.

With its acquisition of Seaboard Finance Company, completed in early 1969, Avco approximately doubled its representation in the consumer finance area. Seaboard's receivables amount to nearly \$600 million, and this subsidiary has more than 1,000 offices located throughout the United States and Canada and in Australia.

Seaboard's operations differ somewhat from those of Avco Delta in that approximately 85 percent of its business is in the consumer loan and retail installment sale areas. Seaboard is also engaged in the life and casualty insurance businesses through wholly owned subsidiaries.

To identify profitable areas for future business, Seaboard conducted a number of research projects during

the year. Among them were an evaluation of the role of women in family financial decisions, a test of executive loans by mail, an exploration of loans based upon major credit cards, and an experiment with loans made in the customer's home.

In September 1969, ground was broken for the construction of a new \$10 million Avco financial services headquarters in Newport Beach, 50 miles south of Los Angeles. This 16-story building, which is expected to be ready for occupancy in early 1971, will be the focal point of the 625-acre Newport Center, an area which is being developed as a major financial, insurance and commercial center.

### Savings and Loan

In last year's money market where high interest rates adversely affected the savings and loan industry, Ventura Savings and Loan emphasized service and convenience in order to meet



Avco Savings and Loan has become a leader in the highly competitive California market by providing outstanding customer service and pleasant surroundings. Its modern branch in Ventura contains meeting rooms for community, civic and service groups, which use them regularly.

Avco's West Coast financial services headquarters will be in this new 16-story building at Newport Beach, California. Described as the largest reflective glass building in the western United States, the structure will have 250,000 square feet of office space.



the intense competition for the savings dollar.

Savings accounts showed a moderate increase in 1969, an excellent achievement when compared with the decline experienced by most California associations.

In December 1969, Avco's acquisition of Huntington Savings and Loan Association was made effective and this company and Ventura were merged, with the surviving corporation being named Avco Savings and Loan Association. This combination expands Avco's savings and loan offices from one to seven, and strengthens its position in the business.

Coastline Mortgage Corporation is planning the construction of a new twin-tower Ventura Financial Center to be built in two stages. The first would be a 10-story office tower and extended two-story building

for retailers, bank and brokerage offices, and real estate and title companies. The other would be an eight-story office tower.

## Carte Blanche

Carte Blanche Corporation, Avco's international travel and entertainment credit card subsidiary, celebrated its tenth anniversary in 1969 by registering substantial gains in billings and new members.

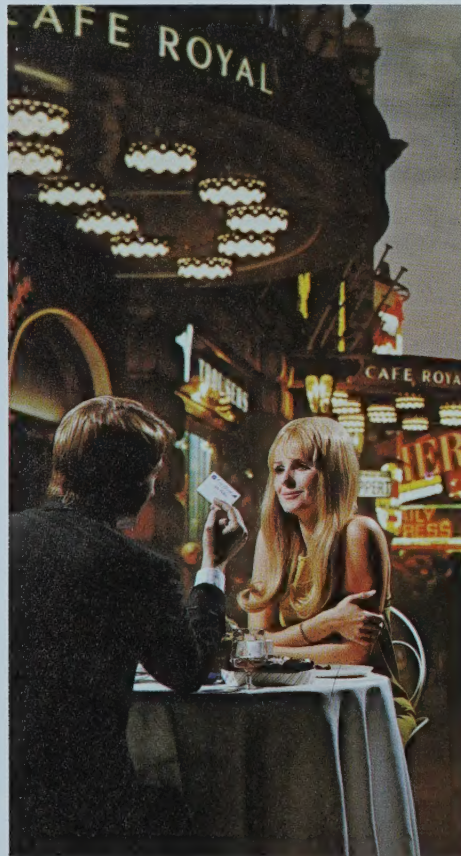
The number of Carte Blanche cardholders has grown to approximately 670,000. More than 180,000 associate establishments, including hotels and motels, restaurants, shops, car rental agencies, airline ticket offices, and gasoline stations now honor the Carte Blanche card.

Sheraton recently joined the Hilton, Intercontinental and Western International hotel chains as a Carte Blanche associate. This will provide cardholders with credit privileges in Sheraton's 177 hotels and motor inns in 15 countries. This new relationship is especially significant, since Sheraton is now launching an extensive expansion plan.

Under the Carte Blanche worldwide development program, an international sales force signs card-honoring associates in the principal tourist countries of the world. This program is generally conducted through locally established companies which are partly owned by Carte Blanche and franchised to develop the member and associate markets in their own countries.

During the past year Carte Blanche introduced the Young Businessman's Plan, a new service to grant credit to the rising executive. The plan is meeting with general acceptance and shows considerable promise.

Cartan Travel Bureau, Inc., a Carte Blanche subsidiary, is a travel wholesaler which sells the well-known Cartan Tours through 1,600 retail travel agency outlets. It is expanding its sales efforts to enlarge its product line and increase the number of agencies merchandising its tours.



The Carte Blanche credit card is known throughout the world. This young couple is shown in London, where Carte Blanche is widely used. The familiar gold and blue card is honored by major hotel chains, leading restaurants, airlines and a variety of commercial establishments.



## REPORT OF THE CHAIRMAN AND PRESIDENT

### *To the Stockholders of Avco Corporation:*

Although Avco's 1969 earnings were lower than those of the prior year, your company made significant progress during the year in positioning itself to meet the urgent domestic requirements foreseen for the nation in the coming decade.

Consolidated net earnings of Avco were \$51,447,000, or \$3.12 per outstanding common share, for the fiscal year ended November 30, 1969. In 1968 consolidated earnings were \$57,022,000, or \$3.76 per common share. Net earnings for 1969 include earnings of Seaboard Finance Company since its acquisition on January 21, 1969, amounting to \$6,230,000, or 55 cents per share, after deducting interest on Avco's debentures issued in the acquisition.

Earnings per common share, assuming conversion of all convertible securities, were \$2.33 for 1969, compared with \$2.69 for 1968, and on this basis, the inclusion of Seaboard accounted for 22 cents per share in 1969. The Financial Review, at page 11, sets forth additional details as to Avco's earnings.

Several years ago, your management decided to change Avco from a defense oriented company to a predominantly commercial one. This objective has been accomplished. In 1964, less than half of Avco's earnings resulted from commercial sales while in 1969, commercial operations accounted for approximately 85 percent of Avco's earnings. This change resulted

both from internal growth and from carefully planned acquisitions in attractive commercial areas.

Although short term predictions of economists vary, there is substantial agreement on the character and magnitude of expansion in the national economy which lies ahead. Real income is expected to gain 50 percent over the next decade, providing a market for personal goods and services approximating one trillion dollars yearly among a population that will increase by 27 million persons. The decade is expected to be marked by widespread development of raw land and a doubling of residential construction. Personal finance and insurance needs will greatly expand with increased family formations, and the market for leisure time products and services will continue its sharp upward trend, reflecting higher individual incomes and shorter working hours.

Avco's stake in each of these important markets increased last year.

The acquisition of Seaboard Finance Company approximately doubled Avco's representation in the consumer finance business. Plans are now being made to consolidate all of Avco's consumer finance operations under the name Avco Financial Services, with more than 1,600 offices in the United States, Canada and Australia. Shortly after the end of the year, Avco increased to 91 percent its ownership in Carte Blanche

Corporation, the worldwide travel and entertainment credit card company.

Avco greatly expanded its land development business in 1969 by acquiring a 90 percent interest in Avco Community Developers, Inc., formerly known as Rancho Bernardo, Inc. Subject to federal and state registration requirements, this subsidiary is planning to acquire another California land development company, Laguna Niguel Corporation, within the next few months. Avco has also formed a new subsidiary, Avland Development Company, to engage in the business of selling resort and vacation properties.

An additional major acquisition, completed in December 1969, was Huntington Savings and Loan Association which was merged with Avco's Ventura Savings and Loan Association to form Avco Savings and Loan Association. Most of the assets of this California subsidiary consist of mortgage loans, and its growth is expected to parallel the increase in new housing forecast during the seventies.

Avco Embassy Pictures diversified its operations in 1969 by entering the record business, and Avco Broadcasting expanded its outlets by acquiring WRTH, Wood River, Illinois, an AM radio station serving the greater St. Louis area.

Avco's 1969 results reflect the effect of a number of different factors. Since our operations, especially in the

consumer finance area, entail the borrowing of large sums of money, the past year's very high interest rates had a significantly adverse effect on earnings. Realized capital gains in the insurance and finance operations were substantially lower than in 1968. The amount of Avco's film rentals also declined significantly in 1969 from the level achieved in 1968 with the box office success of "The Graduate."

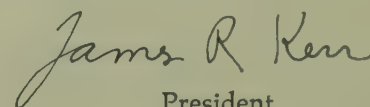
Operations in the commercial and industrial products category were at satisfactory levels except for farm equipment, and the Moffats home appliance business which was adversely affected by a strike. Avco Aerostructures completed a new 500,000-square foot facility in which it is building wing sets for the Lockheed 1011 luxury jetliner under a major contract. First deliveries are scheduled for the spring of 1970.

The volume of government sales declined in 1969, primarily as a result of reductions in the electronics and ordnance areas and lower research expenditures. Sales of Avco Lycoming gas turbine engines remained at high levels during the year and are expected to continue at substantial though somewhat lower levels. Reduced future military needs should be partly offset by increased commercial and industrial applications for these engines.

On behalf of the Board of Directors, we thank the employees and stockholders of Avco for their support.



Chairman



President

February 4, 1970



## FINANCIAL REVIEW

### GENERAL

**CONSOLIDATED EARNINGS**—Comparative results for 1969 and 1968 were as follows:

	<u>1969</u>	<u>1968</u>
Net earnings . . . . .	\$51,447,000	\$57,022,000
Per outstanding common share . . . . .	\$3.12	\$3.76
Per common share, assuming full dilution from exercise of conversion rights . . . . .	\$2.33	\$2.69

Earnings per outstanding common share were computed after deducting cash dividend requirements on Avco's \$3.20 preferred stock, amounting to \$15,877,000 in 1969 and \$16,835,000 in 1968. Average outstanding common shares were 11,414,482 during 1969 and 10,687,106 during 1968; average common shares, assuming full dilution, were 22,946,344 in 1969 and 21,208,984 in 1968. Fully diluted earnings were calculated on the total of the outstanding common shares and the number of common shares into which Avco's convertible debentures and \$3.20 preferred stock are convertible.

Net earnings for 1969 include earnings of Avco's subsidiary, Seaboard Finance Company, since the effective date of its acquisition, January 21, 1969, amounting to \$6,230,000, or \$.55 per common share, after deducting interest on Avco's debentures issued in the acquisition. Results for 1969 also include net profit of

\$2,057,000, or \$.18 per common share, realized on the sale during the first quarter of 1969 of Avco's 50% interest in Meredith-Avco, Inc., a community antenna television company. Assuming full dilution, Seaboard's contribution to earnings accounted for \$.22 per share and the sale of Meredith-Avco for \$.09 for the year 1969.

Net realized capital gains in the insurance and finance operations amounted to \$8,277,000, or \$.73 per common share (\$.36 fully diluted), for 1969 and \$13,032,000, or \$1.22 per share (\$.62 fully diluted), in 1968. For additional information concerning the investment portfolios of Avco's finance and insurance subsidiaries, see the note to the combined financial statements of Avco's finance subsidiaries and the statement of combined financial position of Avco's insurance subsidiaries.

**ACQUISITION OF SEABOARD FINANCE COMPANY**—Effective January 21, 1969, Avco acquired the common and convertible preferred shares of Seaboard Finance Company in exchange for an aggregate of \$171,177,000 principal amount of its 5½% convertible subordinated and 7½% subordinated debentures and 10-year warrants to purchase 3,085,287 shares of Avco common stock at \$56 per share.

**BASIS OF REPORTING**—As of November 30, 1969, Avco's finance and insurance subsidiaries, which had previously been fully consolidated, are shown in Avco's statement of consolidated financial position at the cost of Avco's investments plus its share of the undistributed earnings of such subsidiaries since

their acquisition. Avco's equity in the earnings of such subsidiaries is reflected in consolidated earnings. Consolidated financial statements for 1968 have been restated to conform to the 1969 treatment; the restatement had no effect on amounts previously shown for consolidated stockholders' equity or net earnings. Combined financial statements for Avco's unconsolidated finance companies (which include their insurance subsidiaries) and combined financial statements for Avco's

unconsolidated non-finance insurance subsidiaries are shown separately.

**BUSINESS LINE ANALYSIS**—The following analysis, prepared for the first time this year, presents the contribution of Avco's various lines of business to consolidated revenues and net earnings. Interest and corporate expenses have been allocated as appropriate to the business lines and the three groups shown in the following analysis.

## FINANCIAL SERVICES

### Insurance

Life and accident and health insurance, variable annuity and mutual fund operations (including capital gains: \$7,069,000 in 1969 and \$10,893,000 in 1968) .....

Revenues or sales		Net earnings	
1969	1968	1969	1968
(Thousands of dollars)			

\$120,326	\$118,808	\$ 16,235	\$ 20,392
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### Finance

#### Consumer finance

Finance operations .....

211,946	88,988	13,554	3,792
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Equity in insurance earnings (including capital gains: \$1,208,000 in 1969 and \$2,139,000 in 1968) .....

		5,557	3,553
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211,946	88,988	19,111	7,345
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Credit card operations .....

20,405	10,107	455	394
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Savings and loan operations .....

4,141	7,189	525	397
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236,492	106,284	20,091	8,136
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Interest on Avco debentures issued for Seaboard Finance  
Allocation of Avco's corporate expenses not charged to business lines .....

		(4,537)	
		(4,213)	(2,601)
\$356,818	\$225,092	27,576	25,927

## RECREATION AND LAND DEVELOPMENT

Motion pictures and broadcasting .....

\$ 57,968	\$ 72,049	7,459	12,163
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Land development .....

23,209	1,369	269	(284)
--------	-------	-----	-------

Gain on sale of Meredith-Avco, Inc. ....

		2,057	
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Allocation of Avco's corporate expenses not charged to business lines .....

		(528)	(356)
81,177	73,418	9,257	11,523

## PRODUCTS AND RESEARCH

### Commercial

Aircraft products .....

94,786	81,273	6,936	5,635
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Other .....

166,860	171,763	1,847	4,483
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261,646	253,036	8,783	10,118
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### Government

Aircraft products .....

385,668	382,435	5,965	8,188
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Other .....

169,593	230,682	4,534	4,799
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555,261	613,117	10,499	12,987
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Allocation of Avco's corporate expenses not charged to business lines .....

		(4,668)	(3,533)
816,907	866,153	14,614	19,572

\$898,084	\$939,571		
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		\$ 51,447	\$ 57,022
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## FINANCIAL SERVICES

### INSURANCE

**GROSS INCOME**—Premium and investment income of Avco's combined insurance subsidiaries in 1969 rose to a record of \$120,326,000 from \$118,808,000 in the prior year. The aggregate face amount of individual life insurance sold by The Paul Revere Life Insurance Company showed an increase of 11%. Individual accident and health premiums increased 4%. Contract sales by The Paul Revere Variable Annuity Insurance Company, which also reached record levels, amounted to \$5,750,000 in 1969.

Life insurance in force at Paul Revere Life has increased to \$2,369,833,000 from \$2,139,110,000 at the end of 1968.

**SECURITIES INVESTMENT PORTFOLIO**—At the 1969 year-end, the securities investment portfolio of Avco's combined insurance subsidiaries consisted of 64% bonds, 10% preferred stocks and 26% common stocks.

### FINANCE

**COMPARATIVE AMOUNTS**—The primary reason for the substantial increases in the amounts reported for Avco's combined finance subsidiaries in 1969 over 1968 was the acquisition of Seaboard Finance Company in January 1969.

**PUBLIC SALE OF DEBENTURES**—During 1969, Avco's consumer finance subsidiaries obtained \$60,000,000 of long term funds by the sale of debentures to the public.

**ACQUISITIONS**—In addition to the acquisition of Seaboard Finance, Avco acquired, in December 1969, Huntington Savings and Loan Association which was merged with Avco's existing savings and loan business to form one association having assets of approximately \$192,000,000. Early in 1970, Avco's ownership in Carte Blanche Corporation was increased to 91% by the acquisition of an additional 37% interest in exchange for 264,000 shares of Avco's \$3.20 preferred stock.

## RECREATION AND LAND DEVELOPMENT

**MOTION PICTURES AND BROADCASTING**—Motion picture film rentals and earnings declined in 1969 from their peaks in 1968 when very substantial film rental income was derived from "The Graduate," which was a leading box office success throughout that year.

Avco Broadcasting Corporation had a record year for both revenues and earnings. The acquisition in March 1969 of AM radio station WRTH, Wood River, Illinois, which serves the greater St. Louis area, and growth in all broadcasting operations accounted for the increased profitability in 1969.

**LAND DEVELOPMENT**—The increase in earnings in 1969 resulted from the acquisition of Avco Community Developers, Inc. (formerly Rancho Bernardo, Inc.) early in the year.

## PRODUCTS AND RESEARCH

**COMMERCIAL**—During 1969, sales of Avco reciprocating aircraft engines remained high, wing production continued for Grumman's Gulfstream II executive jet and work began on the contract for wing assemblies for Lockheed's 1011 jetliner.

The performance of Avco's other commercial operations remained satisfactory except for the farm equipment business which suffered along with the rest of the industry, and the appliance business in Canada which had reduced sales as a result of significant labor problems.

**GOVERNMENT**—The decrease in sales to the government in 1969 resulted in large part from a decline in government spending for space and missile research and production work. Avco's production of gas turbine engines, principally for helicopters, remained high. Earnings from Avco's government business were adversely affected by reduced sales, technical difficulties and anticipation of lower than originally contemplated production volume of the F-111 and C-5 aircraft, for which Avco supplies components.

**ADDITIONS TO PLANT AND EQUIPMENT**—Total additions to plant and equipment amounted to \$37,174,000 in 1969 compared to \$23,851,000 in 1968. The 1969 additions served principally to expand Avco's capability to produce airframe structures and to keep up to date Avco's technological capabilities in basic and applied scientific research.

Depreciation expense of the products and research units, computed principally by accelerated methods, amounted to \$14,839,000 in 1969 compared to \$12,727,000 in 1968.

**MARGINS**—Net earnings of Avco's products and research units decreased in 1969 to 1.8% of sales from 2.3% of sales in the prior year. This decrease reflects the factors mentioned above and higher interest costs resulting from higher interest rates and increased borrowings during 1969.

**BACKLOG**—Avco's backlog of government and long term commercial orders decreased to \$1,204,239,000 at the end of 1969 from \$1,381,298,000 at the end of the prior year. Most of Avco's commercial sales are made on a current or short term basis and are included in backlog only to the extent of firm orders. One exception is \$575,000,000 for 350 wing assemblies for Lockheed's 1011 jetliner contemplated in the contract awarded to Avco in 1968. At the end of both 1968 and 1969, there were orders and options for orders for 181 of these jetliners.



## CONSOLIDATED FINANCIAL POSITION

	November 30, <b>1969</b>	November 30, <b>1968</b>
	<i>(Thousands of dollars)</i>	
<b>ASSETS</b>		
Cash .....	\$ 65,788	\$ 42,592
Marketable securities, at cost (approximate market) .....	19,029	11,675
Receivables		
U.S. government contracts .....	127,119	127,978
Commercial .....	71,899	72,311
	<u>199,018</u>	<u>200,289</u>
Inventories, at lower of cost or market		
U.S. government contracts .....	181,859	179,724
Progress payments .....	(117,579)	(94,009)
Commercial products and real estate (Note 1) .....	169,288	103,772
	<u>233,568</u>	<u>189,487</u>
<b>TOTAL CURRENT ASSETS</b> .....	517,403	444,043
Investments in unconsolidated subsidiaries, at cost plus equity in undistributed earnings (Note 1)		
Insurance .....	139,913	132,890
Finance .....	345,322	116,552
	<u>485,235</u>	<u>249,442</u>
Property, plant and equipment, at cost		
Land .....	5,578	5,398
Buildings .....	126,842	100,258
Machinery and equipment .....	140,012	120,612
	<u>272,432</u>	<u>226,268</u>
Accumulated depreciation .....	(120,837)	(105,401)
	<u>151,595</u>	<u>120,867</u>
Miscellaneous investments and other assets .....	<u>59,398</u>	<u>49,871</u>
<b>TOTAL ASSETS</b> .....	<u>\$1,213,631</u>	<u>\$ 864,223</u>

See accompanying notes and financial review.



	November 30, 1969	November 30, 1968
	(Thousands of dollars)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable		
Banks .....	\$ 63,307	\$ 39,285
Commercial paper .....	178,992	103,709
Long term debt installments due within one year .....	21,640	6,432
Accounts payable and accrued liabilities .....	112,471	110,733
Income taxes .....	2,756	19,927
TOTAL CURRENT LIABILITIES .....	379,166	280,086
Long term debt (Note 2)		
Senior .....	237,700	224,639
Subordinated .....	176,727	5,071
STOCKHOLDERS' EQUITY		
Preferred stock, without par value:		
Authorized: 6,458,000 voting shares		
Designated: \$3.20 cumulative convertible, stated at \$6 per share		
Outstanding: 4,954,056 shares in 1969		
(liquidation preference: \$198,162,000) .....	29,724	29,877
Common stock, par value \$3 per share:		
Authorized: 40,000,000 shares		
Outstanding: 11,468,957 shares in 1969 .....	34,407	33,788
Reserved in 1969: 14,940,000 shares (Note 3)		
Additional paid-in capital .....	69,124	25,834
Retained earnings (Note 2) .....	286,783	264,928
TOTAL STOCKHOLDERS' EQUITY .....	420,038	354,427
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$1,213,631	\$ 864,223



## CONSOLIDATED EARNINGS

	Year ended November 30, <b>1969</b>	Year ended November 30, <b>1968</b>
	(Thousands of dollars)	
Net sales .....	\$898,084	\$939,571
Equity in net earnings of unconsolidated subsidiaries (in- cluding net realized capital gains: \$8,277,000 in 1969 and \$13,032,000 in 1968)		
Insurance .....	16,235	20,392
Finance .....	<u>20,091</u>	<u>8,136</u>
	<u>934,410</u>	<u>968,099</u>
Costs and expenses		
Cost of sales .....	733,789	769,365
Selling and administrative .....	89,918	82,745
Interest .....	44,648	23,422
Income taxes .....	<u>14,608</u>	<u>35,545</u>
	<u>882,963</u>	<u>911,077</u>
<b>NET EARNINGS</b> .....	<u><u>\$ 51,447</u></u>	<u><u>\$ 57,022</u></u>
Per outstanding common share .....	<u><u>\$3.12</u></u>	<u><u>\$3.76</u></u>
Per common share, assuming full dilution from exercise of conversion rights .....	<u><u>\$2.33</u></u>	<u><u>\$2.69</u></u>

See accompanying notes and financial review.



## CONSOLIDATED STOCKHOLDERS' EQUITY

Year ended November 30, 1969

	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Total
	(Thousands of dollars)				
Balance at beginning of year .....	\$ 29,877	\$ 33,788	\$ 25,834	\$264,928	\$354,427
Net earnings .....				51,447	51,447
Cash dividends declared					
\$3.20 preferred stock .....				(15,873)	(15,873)
Common stock (\$1.20 per share) .....				(13,700)	(13,700)
Value assigned to 3,085,287 warrants to purchase shares of Avco common stock ....			37,023		37,023
Market price of 132,653 shares of Avco common stock issued for the capital stock of a film company .....		398	5,041		5,439
Conversion of 25,740 shares of \$3.20 preferred stock into 51,480 shares of common stock .....	(154)	154			
Issuance of common stock upon conversion of convertible debentures (10,437 shares) and exercise of options (11,212 shares) ..		65	358		423
Other .....	1	2	868	(19)	852
Balance at end of year .....	<u>\$ 29,724</u>	<u>\$ 34,407</u>	<u>\$ 69,124</u>	<u>\$286,783</u>	<u>\$420,038</u>

## CONSOLIDATED WORKING CAPITAL

Year ended November 30, 1969

### SOURCES OF WORKING CAPITAL

(Thousands of dollars)

From operations	
Net earnings .....	\$51,447
Depreciation of property, plant and equipment .....	16,632
Earnings of unconsolidated subsidiaries, less cash dividends received of \$12,573,000 .....	(23,753)
	<u>44,326</u>
Net increase in long term debt, exclusive of \$171,177,000 issued in acquisition of Seaboard Finance Company .....	13,540
<b>Total</b> .....	<u>57,866</u>

### USES OF WORKING CAPITAL

Cash dividends declared .....	29,573
Additions to property, plant and equipment, net .....	47,360
Cash investments in unconsolidated subsidiaries .....	3,840
Other, net .....	2,813
<b>Total</b> .....	<u>83,586</u>

DECREASE IN WORKING CAPITAL .....	<u>\$25,720</u>
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See accompanying notes and financial review.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: BASIS OF FINANCIAL STATEMENTS

For information on acquisitions and Avco's consolidation policy, see the Financial Review beginning on page 11. At November 30, 1969, investments in subsidiaries included an aggregate of \$217,676,000 of intangible assets recognized in acquisitions, carried without amortization.

For information on the accounting practices of Avco's life insurance subsidiaries, see the separate combined financial statements of these subsidiaries.

Motion picture and real estate inventories represented approximately one-half of the total commercial inventories at November 30, 1969. As is normal in such businesses, a substantial portion of these inventories will not be realized within one year.

Canadian dollar amounts have been translated at the established rate of exchange of \$1 Canadian = \$.925 U.S. At November 30, 1969, \$423,597,000 of receivables and \$133,450,000 of liabilities of Avco's unconsolidated finance subsidiaries were represented by accounts to be settled in Canadian funds.

### NOTE 2: LONG TERM DEBT AND RETAINED EARNINGS

At November 30, 1969, long term debt consisted of the following:

#### Senior

Notes under Avco's revolving credit agreement providing for borrowings until April 15, 1972 to a maximum of \$175,000,000 at the prime rate .....	\$105,000,000
6¼% notes (an additional \$13,125,000 will be issued in 1970; annual prepayments are \$4,672,000 beginning in 1971 until 1988 when the balance is due) .....	86,875,000
Notes due \$13,100,000 in 1970, \$15,300,000 in 1971 and \$8,173,000 in 1972, ½% over the prime rate (payable by The Paul Revere Corporation) .....	36,573,000
Non-interest bearing notes due in equal annual installments of \$5,478,000 in 1970 and 1971 .....	10,956,000
Other, maturities to 1991 .....	19,936,000
	<u>259,340,000</u>
Installments due within one year ..	(21,640,000)
	<u>\$237,700,000</u>

#### Subordinated

7½% debentures, due 5% in 1992 and the balance in 1993 .....	\$ 77,131,000
5½% convertible debentures, due 5% in 1992 and the balance in 1993 (convertible at \$54 per share) ....	94,646,000
5% convertible debentures, due in 1979 (convertible at \$11.50 per share) .....	950,000
Other, maturities to 1980 .....	4,000,000
	<u>\$176,727,000</u>

Under agreements relating to Avco's long term debt, approximately \$31,200,000 of Avco's consolidated retained earnings at November 30, 1969, were not restricted as to the payment of cash dividends on common and preferred stock, assuming maintenance of required working capital levels.

### NOTE 3: CAPITAL STOCK

Avco common shares were reserved at November 30, 1969 for the following:

Conversion of \$3.20 preferred stock...	9,908,112
Conversion of 5½% debentures .....	1,752,695
Conversion of 5% debentures .....	82,627
Exercise of warrants to purchase common shares at \$56 per share until 1978	3,085,287
Exercise of employee stock options...	111,279
	<u>14,940,000</u>

Of the 111,279 shares of common stock reserved at November 30, 1969 for stock options, under a plan approved by Avco's stockholders, there were options outstanding on 108,929 shares, of which options on 33,503 shares were then exercisable. The exercise prices of the outstanding options, which were above the market prices on the dates the options were granted, aggregate \$3,877,000, and the options expire at various dates between August 18, 1970 and November 18, 1974. At November 30, 1968, there were reserved under the stock option plan 116,581 shares against which options on 68,298 shares were then outstanding. During the 1969 fiscal year, options on 47,850 shares were granted, 5,302 shares were issued on exercise of options and options on 1,917 shares expired. In addition, 5,910 shares were issued during 1969 upon exercise of options exchanged for outstanding options of Seaboard Finance Company.

The \$3.20 preferred stock is not redeemable prior to January 1, 1973; thereafter, Avco may redeem the stock at \$100 per share, decreasing \$2 annually until reaching \$80. Each preferred share is convertible into two common shares of Avco and the liquidation preference is \$40 per share.



#### NOTE 4: RETIREMENT PLANS

Avco and its subsidiaries have in effect contributory and non-contributory retirement plans covering substantially all employees. The cost of these plans, including amortization of prior service cost over 30 years, was approximately \$12,600,000 in 1969 and \$10,268,000 in 1968. At November 30, 1969, unfunded vested benefits related to prior service were approximately \$13,000,000.

#### NOTE 5: INCENTIVE COMPENSATION

Under a plan approved by Avco stockholders, there is payable as incentive compensation 10% of the amount by which defined earnings exceed 8% of defined capital, both as determined by Avco's independent auditors.

Incentive compensation amounted to \$4,205,000 in 1969 and \$5,185,000 in 1968.

#### NOTE 6: LITIGATION

As a result of the tender offer for Avco shares made by Paul Revere in 1967 and the subsequent combination of that company with Avco, two actions have been brought against Avco, Paul Revere and certain directors. The first of these alleges failure to disclose material facts in connection with the tender offer, and the second alleges that the exchange ratio on which the combination of the companies was based is unfair to Avco. All of the defendants have been advised by their respective counsel that there are meritorious defenses to the claims alleged in these actions, which are presently in a pretrial stage.

### REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

#### ARTHUR YOUNG & COMPANY

277 PARK AVENUE  
NEW YORK, N. Y. 10017

The Board of Directors and Stockholders  
Avco Corporation

We have examined the accompanying statement of consolidated financial position of Avco Corporation at November 30, 1969 and the related statements of earnings, stockholders' equity and working capital for the year then ended. We have also examined the statements of combined financial position of its unconsolidated finance subsidiaries at November 30, 1969 and of its unconsolidated insurance subsidiaries at December 31, 1969 and the related statements of earnings for the years then ended. Our examinations of the financial statements of Avco Corporation and its subsidiaries other than Seaboard Finance Company and its subsidiaries were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due on U.S. government contracts, as to which we have employed other auditing procedures. We have received the report of other certified public accountants with respect to their examination of the financial statements of Seaboard Finance Company and its subsidiaries.

In our opinion, based on our examinations and the report of other certified public accountants referred to above, the statements mentioned above present fairly the consolidated and combined financial positions of Avco Corporation and of its unconsolidated finance subsidiaries at November 30, 1969 and of its unconsolidated insurance subsidiaries at December 31, 1969 and the results of operations and the sources and uses of consolidated working capital for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after restatement of that year for the change in consolidation policy described in the Financial Review. Further in our opinion, the business line analysis in the Financial Review is fairly stated in all respects material to the above described financial statements taken as a whole.

*Arthur Young & Company*

February 4, 1970

## COMBINED FINANCIAL POSITION

	November 30, 1969	November 30, 1968
	(Thousands of dollars)	
<b>ASSETS</b>		
Cash .....	\$ 72,843	\$ 56,139
Receivables (including amounts due after one year)		
Mortgage .....	52,458	47,786
Retail installment .....	498,676	356,794
Consumer loans .....	906,923	266,223
Wholesale and capital loans .....	29,010	50,058
Other .....	55,208	32,519
	<u>1,542,275</u>	<u>753,380</u>
Unearned discount and service charges .....	(187,705)	(91,594)
Allowance for losses .....	(34,868)	(14,475)
	<u>1,319,702</u>	<u>647,311</u>
<b>TOTAL CURRENT ASSETS</b> .....	<u>1,392,545</u>	<u>703,450</u>
Investments in insurance subsidiaries of finance companies	47,063	17,301
Property and equipment, at cost (less accumulated depreciation: \$8,364,000 in 1969 and \$3,787,000 in 1968) .....	14,457	6,613
Intangible assets recognized in acquisitions, without amortization .....	32,808	30,135
Miscellaneous .....	13,818	12,849
<b>TOTAL ASSETS</b> .....	<u>\$1,500,691</u>	<u>\$ 770,348</u>
<b>LIABILITIES AND COMBINED EQUITY</b>		
Notes payable		
Banks .....	\$ 175,010	\$ 124,935
Commercial paper .....	389,732	170,595
Long term debt installments due within one year .....	35,412	18,639
Savings deposits .....	71,323	61,988
Accounts payable and accrued liabilities .....	44,278	23,748
Income taxes .....	13,798	4,005
<b>TOTAL CURRENT LIABILITIES</b> .....	<u>729,553</u>	<u>403,910</u>
Long term debt		
Senior notes, 4¾% to 9¼%, maturing annually to 1989 ..	407,389	168,498
Subordinated and capital notes, 4½% to 8¾%, maturing annually to 1988 .....	142,776	77,278
<b>COMBINED EQUITY</b>		
Avco equity .....	204,146	106,331
Minority equity .....	16,827	14,331
<b>TOTAL COMBINED EQUITY</b> .....	<u>220,973</u>	<u>120,662</u>
<b>TOTAL LIABILITIES AND COMBINED EQUITY</b> .....	<u>\$1,500,691</u>	<u>\$ 770,348</u>



## COMBINED EARNINGS

	Year ended November 30, 1969	Year ended November 30, 1968
	(Thousands of dollars)	
Interest, discount and service charge income .....	\$236,492	\$106,284
Equity in net earnings of insurance subsidiaries of finance companies (including net realized capital gains: \$1,208,- 000 in 1969 and \$2,139,000 in 1968) .....	5,557	3,553
	<u>242,049</u>	<u>109,837</u>
Expenses		
Interest and debt expense .....	73,961	37,341
Provision for losses on collection of receivables .....	25,154	12,284
Other operating expenses .....	104,858	45,542
Income taxes .....	17,985	6,534
	<u>221,958</u>	<u>101,701</u>
NET EARNINGS .....	<u>\$ 20,091</u>	<u>\$ 8,136</u>

## BASIS OF FINANCIAL STATEMENTS

The financial statements of Avco's finance subsidiaries combine the accounts of Avco Delta Corporation and Seaboard Finance Company (since its acquisition by Avco in January 1969) and include the accounts of their subsidiaries, except those engaged in the insurance business. Investments in insurance subsidiaries are carried at cost plus undistributed earnings since acquisition. At November 30, 1969, combined assets and combined liabilities of these insurance companies amounted to \$100,911,000 and \$58,210,000, respectively. Included in the assets of the insurance companies are investments in securities carried at an

aggregate cost of \$82,112,000 at November 30, 1969 and \$24,693,000 at November 30, 1968, for which the aggregate market values at those dates were \$76,292,000 and \$26,167,000, respectively. Income taxes of \$281,000 in 1969 and \$147,000 in 1968 have been deducted from the amount of net realized capital gains of insurance subsidiaries. Other Avco finance subsidiaries included in these statements are Carte Blanche Corporation and Ventura Savings and Loan Association.

For information concerning the amounts of receivables and liabilities of Avco's finance subsidiaries to be settled in Canadian funds, see Note 1 to Avco's consolidated financial statements.

# COMBINED FINANCIAL POSITION

	December 31, 1969	December 31, 1968
	(Thousands of dollars)	
<b>ASSETS</b>		
Investments		
Bonds, at amortized cost .....	\$144,746	\$131,222
Stocks, at cost (market: \$67,740,000 in 1969 and \$93,728,000 in 1968) .....	79,913	76,680
Mortgage loans .....	155,663	148,124
Loans to policyholders .....	15,431	12,459
Other invested assets .....	6,240	6,723
	<u>401,993</u>	<u>375,208</u>
Cash .....	10,881	16,290
Premiums deferred and uncollected .....	12,127	11,129
Property, plant and equipment, at cost (less accumulated de- preciation: \$3,449,000 in 1969 and \$3,272,000 in 1968) ..	11,642	10,584
Other assets .....	4,733	5,424
<b>TOTAL ASSETS</b> .....	<u>\$441,376</u>	<u>\$418,635</u>
 <b>LIABILITIES AND COMBINED EQUITY</b>		
Policy reserves .....	\$274,242	\$260,248
Claims liability .....	6,534	6,199
Funds on deposit and other liabilities .....	19,728	17,660
Federal income taxes (Note 2) .....	2,398	3,077
	<u>302,902</u>	<u>287,184</u>
 <b>COMBINED EQUITY (Note 2)</b> .....	<u>138,474</u>	<u>131,451</u>
 <b>TOTAL LIABILITIES AND COMBINED EQUITY</b> .....	<u>\$441,376</u>	<u>\$418,635</u>



## COMBINED EARNINGS

	Year ended December 31, <b>1969</b>	Year ended December 31, <b>1968</b>
	(Thousands of dollars)	
Premium and other insurance income .....	\$ 99,793	\$ 99,862
Investment income (less investment expenses: \$1,645,000 in 1969 and \$1,315,000 in 1968) .....	20,533	18,946
	<u>120,326</u>	<u>118,808</u>
Expenses		
Death claims and other benefits .....	58,138	55,554
Increase in policy and other contract reserves .....	13,913	17,327
Commissions and other expenses .....	34,472	32,114
Federal income taxes .....	4,637	4,314
	<u>111,160</u>	<u>109,309</u>
Earnings before net realized capital gains .....	9,166	9,499
Net realized capital gains (less federal income tax: \$2,520,- 000 in 1969 and \$3,976,000 in 1968) .....	7,069	10,893
<b>NET EARNINGS</b> .....	<u><u>\$ 16,235</u></u>	<u><u>\$ 20,392</u></u>

### NOTE 1: BASIS OF FINANCIAL STATEMENTS

The financial statements of Avco's combined insurance subsidiaries include the accounts of The Paul Revere Life Insurance Company, The Paul Revere Variable Annuity Insurance Company, The Paul Revere Equity Sales Company and The Paul Revere Equity Management Company.

Accounting practices of life insurance companies are prescribed by regulatory authorities. To the extent that these practices differ from accounting principles generally accepted for use by other industries, they have been appropriately adjusted for inclusion in these combined financial statements. No allowance is made in these statements for the fact that costs incurred upon issuance of new life insurance policies are charged against earnings in the period incurred rather than deferred and amortized over the terms of the policies, the

result of which is to reduce net earnings in a period of growth and increase net earnings in a period of decline in new business.

### NOTE 2: FEDERAL INCOME TAXES

At the end of 1969, Paul Revere Life had \$33,100,000 of policyholders' surplus included in retained earnings (reflected in combined equity in the accompanying statement). If this amount became taxable to Paul Revere Life, the resulting maximum tax liability would be approximately \$17,500,000. Under present circumstances, Paul Revere Life does not anticipate any transactions which would cause the policyholders' surplus to become taxable.

The increase in policyholders' surplus was \$3,600,000 in 1969 and \$3,900,000 in 1968, the income taxes on which would have been \$1,900,000 and \$2,000,000, respectively.

## FIVE YEAR FINANCIAL DATA

	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>
	<i>(Thousands of dollars, except per share amounts)</i>				
<b>FINANCIAL SERVICES</b>					
Revenues .....	\$356,818	\$225,092	\$200,642	\$171,588	\$149,372
Earnings .....	27,576	25,927	29,345	23,430	23,615
<b>RECREATION AND LAND DEVELOPMENT</b>					
Net sales .....	81,177	73,418	39,830	40,219	33,688
Earnings .....	9,257	11,523	2,728	5,393	5,042
<b>PRODUCTS AND RESEARCH</b>					
Net sales .....	816,907	866,153	756,379	617,340	442,456
Earnings .....	14,614	19,572	21,174	23,993	17,126
<b>CONSOLIDATED</b>					
Earnings .....	51,447	57,022	53,247*	52,816	45,783
Per outstanding common share .....	3.12	3.76	3.44*	3.14	2.48
Per common share, assuming full dilution from exercise of conversion rights .....	2.33	2.69	2.48*	2.34	2.02
Stockholders' equity at end of year .....	420,038	354,427	325,491**	401,940	364,741
<b>CASH DIVIDENDS PAID PER COMMON SHARE .....</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>	<b>1.05</b>	<b>1.00</b>

\*Before extraordinary capital gain of \$20,439,000 or \$2.03 per outstanding common share (\$.97 assuming full dilution).

\*\*Reduced by \$135,316,000 cost of Avco treasury shares retired for accounting purposes.



## RECREATION AND LAND DEVELOPMENT

A growing population with more time for leisure pursuits provides one of Avco's most important markets. The company serves this market through its motion picture, broadcasting, land development and related operations.

### Motion Pictures

"The Lion in Winter," the Avco Embassy Pictures production starring Katharine Hepburn and Peter O'Toole which won the New York Film Critics Award for the best picture in 1968, added to its honors in 1969 by winning three Academy Awards. Miss Hepburn received an "Oscar" as best actress, James Goldman for best screenplay from another medium and John Barry for best musical score.

"The Producers" raised the total Academy Awards won by Avco Embassy to four when Mel Brooks received an "Oscar" for best original screenplay.

Avco Embassy's movie production more than tripled in 1969 with 10

properties being filmed of which four were completed and released.

In mid-year, "Sunflower" went before the cameras on location in Moscow and Italy. The film re-unites the famous screen team of Sophia Loren, Marcello Mastroianni and director Vittorio De Sica.

In production, besides "Sunflower," were "Promise at Dawn," starring Melina Mercouri; "Macho Callahan," starring David Janssen and Jean Seberg; "Sporting Club," directed by Larry Peerce; "Soldier Blue," starring Candice Bergen, and "The Man With Power Over Women," starring Rod Taylor.

The Avco Embassy productions released during the year were "Generation," starring David Janssen and Kim Darby; "Don't Drink the Water," with Jackie Gleason and Estelle Parsons; "A Nice Girl Like Me" and "Stiletto."

Among the films scheduled for production in early 1970 are "A Small

The first of Avco Embassy's major film releases this season is "Generation," adapted from the popular Broadway stage play. The crew shown here was working in New York's East Village, where much of the film's action takes place.





Town in Germany," based on John Le Carré's best selling novel, and "The People Next Door," based on Herbert Brodtkin's award winning television presentation.

Early in 1969, Avco Embassy acquired Friwaftt Productions, Inc., from Mike Nichols. Mr. Nichols, who directed "The Graduate," has contracted to direct two more pictures for Avco Embassy, the first of which will be based on a script written by Jules Feiffer.

In June, Avco Embassy started a new company, Avco Embassy Records Corp., to produce and sell records appealing primarily to the under-30 age group.

### Broadcasting

In 1969, Avco Broadcasting Corporation completed its acquisition of AM radio station WRTH of Wood River, Illinois, serving the greater St. Louis area. This addition brings Avco's broadcasting outlets to five

VHF television stations, five AM radio stations and two FM radio stations.

Avco Radio Television Sales, a wholly owned subsidiary which sells time to national advertisers, now represents 27 radio and television stations from coast to coast, in addition to Avco's stations.

Avco Broadcasting has always placed heavy emphasis on community service, but recognizing that social ills today are more acute than they have been in the past, the company has committed itself to assume even greater leadership in this area.

The new role calls for all employees of each station to seek out community problems, and for the station to then take innovative action to help correct them.

As examples of active response to community needs, personnel at Avco Broadcasting radio and television stations accomplished the following last year:

- Organized a national panel of disc jockeys to meet at the White House to discuss the mis-use of drugs.
- Raised and distributed over \$300,000 among approximately 100 hospitals to make hospital stays happier for little children.
- Raised \$50,000 in one day so a home for teenage delinquents could continue to operate.

Avco Broadcasting, which has long been a leader in local live TV programming, continued its progress in this field. "The Phil Donahue Show," which originates at WLWD, was added to two other Avco stations and was also sold as a syndicated show in New York. "Country Hayride," the program starring popular country music singer Henson Cargill, is currently in syndication and being sold in 21 markets.

Avco Broadcasting carries a strong sports program. Its midwestern radio and television stations carry Cincinnati Reds baseball games with former big leaguers Pee Wee Reese and Joe Nuxhall assisting in play-by-play commentary. WLW Radio also broadcasts the entire schedule of the Cincinnati Bengals AFL football team, and it has a two-year contract to

One of the major news events covered by Avco Broadcasting cameras in 1969 was Neil Armstrong Day in Wapakoneta, Ohio, home town of the first man on the moon and very much in WLW territory. Here a WLWD color camera records the event for nationwide television audiences.





carry the basketball schedule of the Cincinnati Royals. In Washington, WWDC Radio carries the baseball games of the Washington Senators.

## Land Development

Rancho Bernardo, Avco's first investment in the growing field of "new community" land development, launched five major new developments totaling almost \$7 million during the year.

The projects include the first phase of the \$750,000 Westwood Club, a 13-acre recreational facility in Rancho Bernardo's newest subdivision of family homes; the start of construction on more Bernardo Villa condominiums; a \$3 million expansion of the 30-room Inn at Rancho Bernardo to 150 rooms plus convention facilities; planned construction of the Mercado, a shopping center of Spanish style specialty shops and restaurants, and planned development of Bernardo Trails,

an equestrian-oriented "country community."

Rancho Bernardo is a 5,800-acre "new town" located within the city limits of San Diego. It is a complete self-contained community with a 635-acre industrial park, diverse family residential areas, extensive recreational facilities, a separate adult community, a shopping center and a medical-dental clinic.

Opened six years ago, Rancho Bernardo now has approximately 6,000 residents. The community's master plan provides for 17,000 dwellings and 50,000 residents in the next decade. About 1,300 acres have already been developed.

In Rancho Bernardo Industrial Park, National Cash Register Company is expanding its existing plant where it is manufacturing a new line of computers. Hewlett-Packard, another electronics firm, has also located a division there, and Garrett Corporation has acquired a plant site.



Rancho Bernardo contains many families with growing children, who have found the formal and informal play areas ideal places in which to run off excess energy. Residents enjoy championship golf courses, swim and tennis clubs and quiet, safe streets ideal for the family.

Rancho Bernardo, one of the nation's fastest growing "new towns," has many types of homes available in various price ranges and for different size families. Shown are the popular "Villa" condominiums, which many persons are buying as a second home or as an investment.



tough, high temperature alloy steel billets as large as 21 inches in diameter.

In 1969 Bay State developed a new BT resin bond which makes diamond grinding wheels economically feasible and preferable to standard abrasive wheels for grinding high speed steel.

During 1969, the Avco Lycoming Stratford Division continued to expand the number of commercial applications for its gas turbine engines in nonaircraft fields. Industrial models were selected by the German and Japanese railway systems for locomotive operations, by Euclid, Inc. to power a new 105-ton off-highway ore hauler, and by Pan American Petroleum Corp. for use in offshore oil operations.

A marine model has been selected to power a new high speed air cushion vehicle being designed under government sponsorship. Lycoming engines began successful operation in the Vosper VT-1 hovercraft in England,

and in a turbocompressor system for the manufacture of synthetic natural gas in Canada.

Although Avco New Idea Farm Equipment Division's business was adversely affected in 1969 by the general softness of the farm economy, it increased unit sales of its Mow/ditioners, manure spreaders, hydraulic loaders and shredders. The Mow/ditioner does the work of three separate machines in processing and conditioning silage.

Avco Thompson Steel Division continued to produce about 10 percent of the cold rolled strip steel marketed in the U.S. In spite of declines in some of its markets, total sales were slightly ahead of a year ago.

Moffats Limited, the largest manufacturer of electric and gas ranges in Canada, increased its share of the market in 1969. A line of self-cleaning electric ranges containing several exclusive new developments was



Avco Bay State Abrasives continues to improve its product line and plant facilities to meet the growing demand for industrial abrasives. The company produces wheels ranging from those smaller than a coin to giants 48 inches in diameter.

To shape the complex contours of wings for the L-1011 jetliner, Avco Aerostructures developed equipment which first bombards the wing surface with thousands of steel balls. The operator, inside the protective tent, then sprays fine steel shot through a hand-held nozzle at selected areas requiring manual finishing.





introduced and favorably received. Moffats continued its research and development program for microwave ovens and expects to be able to test market its concept in 1970.

The new full-service printing facility of Avco Economic Systems Corporation's Roxbury Printing Division, now operated by nearly 200 area residents, was dedicated in June. This culminated 20 months of company and community efforts which began in 1967 when Avco became the first corporation to participate in the Federal Test Program for Job Development.

In the field of biomedical engineering, Avco Everett Research Laboratory further developed its intra-aortic balloon pump. Designed to give vital immediate aid to victims of massive heart attacks, it has been placed in human patients with encouraging results at Massachusetts General Hospital.

Avco Everett has continued to emphasize developmental possibilities for magnetohydrodynamic (MHD) power generation. Central station MHD plants would minimize air and water pollution, and offer new possibilities for use of the nation's coal reserves. MHD generators also can be used to meet emergency demands for "peak" power, and a group of New England utilities led by Boston Edison Company, together with the Edison Electrical Institute, have joined Avco to undertake design studies for a 50 megawatt generator of this type.

## Government

Avco Lycoming Stratford maintained its position as one of the world's leading suppliers of gas turbine engines for helicopters and fixed wing aircraft, shipping its 15,000th engine during the year. Research and development activities included work on a higher rated version of the T55 series, a 4,370 hp model aimed at the Air Force's requirement for a new close support aircraft.

Avco Aerostructures received an order from Lockheed Aircraft in 1969 for additional wing assemblies for the

C-5 Air Force transport. Present orders for the Lockheed C-130 Hercules cargo and troop transport will extend C-130 production through August 1971.

The division also received additional orders from Bell Helicopter to continue fabricating tail boom sections for both the military and commercial versions of the Huey series.

During 1969, Avco Economic Systems received federal contracts to redevelop an abandoned Air Force Base at Glasgow, Montana. This project is expected to revitalize the area by providing local industry and housing.

Avco Systems Division, one of the two producers of boron filament in the U.S., is supplying developmental quantities of this new product to the Air Force and aircraft prime contractors for evaluation and qualification. Future military and commercial aircraft are expected to utilize plastic and metal reinforced with boron fibers as



Avco Lycoming gas turbine engines, which power most of the nation's helicopters, are finding increased industrial use, such as providing power for the waterflood pumps on this off-shore oil production platform in Cook Inlet, Alaska. Gas turbines are replacing other types of power, such as diesel, in mining equipment, locomotives, and marine installations.

the primary structural material because of the very significant weight saving (estimated to be from 20 to 50 percent) that can be realized with no loss of strength.

Continuing its activities in the nation's space exploration program, Avco Systems was awarded an Air Force contract for the design, fabrication, integration, test and launch support of the Magnetic Storm Satellite. The division also received three study contracts from NASA related to the Venus probe mission.

Avco heat shielding material produced by this division continues to protect the Apollo astronauts on their reentry into the earth's atmosphere following each historic moon flight.

With the de-escalation in Vietnam reducing requirements for certain conventional munitions, Avco Ordnance Division has been engaged in producing arming and fuzing systems which

are expected to continue to be needed.

Research and development of high power gas lasers continued to be a major project of Avco Everett Research Laboratory during 1969. Although a major portion of the division's work at present is performed for the Department of Defense, these lasers are expected to find important applications in such fields as oceanography, upper atmospheric studies and analytical chemistry.

Laboratory scientists are using Everett's C950 laser to study air pollution characteristics for the National Air Pollution Control Administration, and these studies are expected to lead to the development of a remote monitoring system for field use by air pollution control agencies.

Micro-machining is another promising use for the C950. In laboratory experiments the laser has drilled holes 100-millionths of an inch in diameter.

This press in the new plant of the Avco Roxbury Printing Division was used to produce the 1969 Annual Report you are reading. The division prints a variety of material for commercial customers and for Avco divisions and subsidiaries.

An Avco Everett Research Laboratory technician adjusts a laser light source to be used in high speed photography. The Laboratory, which has manufactured lasers since 1966, actively markets them for use by research, commercial and defense organizations.





**General Offices:**

1275 King Street,  
Greenwich, Connecticut 06830

**Stock Transfer Agent:**

Schroder Trust Company,  
57 Broadway, New York, New York 10015

**Registrar:**

Bankers Trust Company,  
16 Wall Street, New York, New York 10015

**Co-Transfer Agents:**

Bank of America National Trust and Savings Association,  
1 South Van Ness Avenue, San Francisco, California 94120  
Crown Trust Company,  
302 Bay Street, Toronto 1, Ontario, Canada  
The First National Bank of Chicago,  
38 South Dearborn Street, Chicago, Illinois 60690  
Worcester County National Bank,  
446 Main Street, Worcester, Massachusetts 01608

**Co-Registrars:**

Blackstone Valley National Bank of Whitinsville,  
Memorial Square, Whitinsville, Massachusetts 01588  
The Canada Trust Company,  
110 Yonge Street, Toronto 1, Ontario, Canada  
Harris Trust and Savings Bank,  
111 West Monroe Street, Chicago, Illinois 60690  
Wells Fargo Bank,  
464 California Street, San Francisco, California 94120

**Trustee:**

Debentures—Bankers Trust Company,  
16 Wall Street, New York, New York 10015

**Warrant Agent:**

Schroder Trust Company,  
57 Broadway, New York, New York 10015

**Listing of Securities:**

Common and Preferred Stock—New York Stock Exchange,  
Midwest Stock Exchange, Pacific Coast Stock Exchange,  
Toronto Stock Exchange.  
Debentures—New York Stock Exchange.  
Warrants—American Stock Exchange,  
Pacific Coast Stock Exchange.

**BOARD OF DIRECTORS**

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**Directors Emeritus**

James Bruce  
William I. Myers

\*Executive Committee Member

†Finance Committee Member

**OFFICERS**

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Vice President  
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Vice President and General Counsel  
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Vice President  
William D. Gaillard  
Secretary





The AVCO logo consists of a stylized triangle with a blue and white gradient, followed by the word "AVCO" in a bold, sans-serif font.

**AVCO**

**DELTA CORPORATION**

**AND SUBSIDIARIES**

**AR46**



**MAY 31**

# **1969 OPERATIONAL & STATISTICAL REVIEW**

# STATISTICAL HIGHLIGHTS<sup>(1)</sup>

	May 31, 1969 (6 Mos.)	1968	1967	1966	1965	1964 <sup>(2)</sup>	1963	1962	1961	1960
		(THOUSANDS OF DOLLARS)								
<b>Receivables</b>										
<b>Outstanding . . .</b>	\$745,691	\$672,033	\$520,205	\$446,745	\$338,608	\$227,485	\$163,468	\$105,880	\$ 71,932	\$57,071
<b>Capital Funds . . .</b>	173,702	172,744	141,840	115,982	102,509	54,596	42,802	21,632	16,692	14,764
<b>Net Worth . . .</b>	92,143	87,403	72,301	64,605	47,970	26,569	26,197	11,498	8,309	7,514
<b>Deferred Income . .</b>	108,578	91,550	63,960	51,441	36,624	24,573	15,696	6,412	3,832	3,278
<b>Total Volume . . .</b>	428,594	702,857	580,438	514,455	372,332	273,515	224,517	156,851	108,043	92,033
<b>Gross Income . . .</b>	53,610	87,602	70,665	57,928	41,198	27,476	21,248	13,135	9,328	7,075
<b>Earnings before Income Taxes . . .</b>	9,681	16,361	13,372	10,875	8,073	5,026	4,130	1,817	967	930
<b>Provision for Taxes . . . . .</b>	4,850	7,048	6,318	5,588	4,046	2,330	1,950	836	500	482
<b>Earnings before Minority interest .</b>	4,831	9,313	7,054	5,287	4,027	2,696	2,180	981	467	448
<b>Net Earnings . . .</b>	4,707	8,957	6,792	4,901	3,561	2,696	2,180	981 (3)	467 (3)	448 (3)
<b>Offices:</b>										
<b>Automotive . . .</b>	23	23	25	25	25	28	29	22	22	17
<b>Capital     Equipment . . .</b>	6	6	6	6	5	5	4	2	2	—
<b>Consumer Finance—     Canadian . . .</b>	312	282	267	248	211	150	122	99	77	54
<b>Consumer Finance—     U. S. . . . .</b>	177	158	102	87	70	—	—	—	—	—
<b>Farm Equipment .</b>	10	10	10	10	—	—	—	—	—	—
<b>Home     Improvement . .</b>	28	27	30	28	29	18	11	—	—	—
<b>Industrial Bank .</b>	10	10	9	9	8	5	4	—	—	—
<b>Insurance . . . .</b>	7	7	7	7	6	6	8	6	1	—
<b>Thrift . . . . .</b>	21	19	12	6	—	—	—	—	—	—
<b>Total Offices . . .</b>	594	542	468	426	354	212	178	129	102	71

(1) Figures from 1960 to 1964 are those of Avco Delta Corporation Canada Limited and have been converted to United States Dollars at appropriate rates of exchange.

(2) Eleven month period due to fiscal year end change from December 31 to November 30.

(3) Exchange adjustments resulting from the depreciation of the Canadian Dollar in relation to the United States Dollar were charged as "special items" to retained earnings as follows: 1960—\$587,000, 1961—\$1,046,000, 1962—\$1,108,000.



**MAY 31, 1969**  
**OPERATIONAL**  
**AND**  
**STATISTICAL**  
**REVIEW**

including Long Form Report and  
Robert Morris Questionnaires



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# REVIEW OF OPERATIONS

## SECTION 1



# HIGHLIGHTS OF SIX MONTHS 1969

## Earnings

Net earnings for the six month period ending May 31, 1969 increased 26.8% to \$4.7 million from \$3.7 million for the same period ending May 31, 1968. Net earnings for the second quarter increased 6.1% over the same quarter of 1968.

High current interest rates affected earnings considerably. Interest and debt expenses accounted for 35.1% of gross income in the first

six months of 1969 as compared to 34.2% for the same period of 1968. A substantial portion of this increase was offset by a reduction in other expenses. These items were reduced from 38.4% to 37.5% of gross income (as indicated on page 22).

Deferred income increased 18.6% from year end and totalled \$108.6 million or 17.8% of related receivables as compared with \$91.5 million or 16.6% at November 30, 1968.

	Six Months Ending May 31, 1969	Six Months Ending May 31, 1968	Percentage Increase	Second Quarter Ending May 31, 1969	Second Quarter Ending May 31, 1968	Percentage Increase
	(Thousands of Dollars)			(Thousands of Dollars)		
Gross income . . . . .	\$53,610	\$38,987	37.5%	\$27,270	\$19,920	36.9%
Net earnings after tax . . . . .	4,832	3,829	26.2	2,375	2,246	5.7
Net earnings after tax and dividends to minority interest	4,707	3,711	26.8	2,326	2,192	6.1



## Receivables

Receivables increased 10.9% to \$745.7 million from \$672.0 million at November 30, 1968. Retail installment receivables and loans increased 5.7% and 15.7% respectively. Increases in wholesale outstandings were seasonal.

	May 31, 1969	Nov. 30, 1968	Percentage Increase or (Decrease)
(Thousands of Dollars)			
Retail installment . .	\$377,054	\$356,794	5.7%
Loans . . . . .	307,999	266,223	15.7
Wholesale (on Avco New Idea farm equipment) . . . .	45,191	33,432	35.2
Other wholesale and miscellaneous	15,447	15,583	(.9)

## Development

During the first six months the Company had a net increase of 52 offices. Particular emphasis is now being placed upon increasing the outstanding receivables in existing offices.

## Delinquencies & Losses

Delinquency rates continue to be favorable and the overall loss to liquidation for the first six months of 1969 has decreased to 1.25% from 1.41% for the year 1968.

Additional statistical highlights comparing the first six months of 1969 with previous years are outlined on the inside of the front cover.

# DIVISIONAL STRUCTURE



**Avco Delta is a diversified consumer finance company with nine divisions. Each division is autonomous yet at the same time most divisions complement each other in providing a full range of financial services to the public. In order to provide these services more conveniently, Avco Delta is pioneering the concept of the financial service center. It will be designed physically and operationally to provide consumer credit for a broad spectrum of needs in a single location.**

**Details as to the business carried on by each separate division are set out below:**

### **Automotive Division**

*Avco Delta Corporation Canada Limited*

**Retail installment sales contracts on consumer purchases of cars, commercial vehicles, mobile homes and other durable goods are acquired by this division, which also provides capital funds and wholesale advances to dealers. In addition, this division discounts and makes loans to homeowners secured by second mortgages. There are 23 offices in six Canadian provinces, with outstanding receivables of approximately \$91,000,000 on May 31, 1969.**

### **Capital Equipment Division**

*Avco Delta Corporation Canada Limited*

**Providing financing for industrial and commercial accounts covering a broad range of**

**revenue-producing machinery and equipment, the division's six offices in five provinces accounted for outstanding receivables of approximately \$34,300,000 on May 31, 1969.**

### **Consumer Finance Division— Canada**

*Avco Finance Limited*

**Consumer loans, predominantly secured by automobiles and household goods, are the specialty of the 312 offices of this division which operates in all 10 Canadian provinces. The division also purchases retail installment obligations from dealers covering appliances and other consumer goods. At May 31, 1969 this division's receivables totalled approximately \$206,000,000.**

### **Consumer Finance Division— United States**

*Avco Finance Company  
and affiliated companies*

**Like the Canadian division, about 90% of the consumer loans made in 177 offices in 16 states are secured by automobiles and household goods. The division also purchases retail installment obligations from dealers and in addition conducts a profitable mail loan operation. At May 31, 1969 its receivables totalled approximately \$91,600,000.**

## **Farm Equipment Division**

*Avco New Idea Credit Corporation*

This division consists of Avco New Idea Credit Corporation, which was incorporated in 1966 to offer credit services to dealers franchised by the Avco New Idea Farm Equipment Division of Avco Corporation, and to customers of these dealers. The division acquires retail installment contracts covering the purchase of farm equipment and provides wholesale advances to farm equipment dealers. At May 31, 1969 the division's 10 offices accounted for approximately \$71,800,000 in receivables.

## **Home Improvement Division**

*Avco Security Corporation  
and affiliated companies*

Operating in 20 states, the 28 offices within this division specialize in financing home improvements by purchasing customers' notes from building contractors and dealers, normally secured by supplementary mortgages. The division also discounts and makes loans, secured by real property, to home owners. The security is usually subordinate to other liens. Receivables on May 31, 1969 totalled approximately \$171,100,000.

## **Industrial Bank Division**

*Colorado Industrial Bank  
and affiliated companies*

This division operates The Colorado Industrial Bank, nine other industrial banks and

other financial offices engaged in the consumer loan and sales finance fields. Savings and time deposits are accepted by the industrial banks. At May 31, 1969 receivables totalled approximately \$37,300,000.

## **Insurance Division**

In the U.S. the division operates two credit life and disability insurance companies plus seven insurance agencies.

In Canada the division operates London and Midland General Insurance Company. This company is permitted to write all forms of insurance other than life in all provinces of Canada.

Gross premiums written during the six months ended May 31, 1969 were approximately \$8,707,000 and were basically written through independent insurance agents.

## **Thrift Division**

*Avco Thrift*

Engaged in consumer lending and sales finance, Avco Thrift has deposit and loan powers in California similar to those of the industrial banks in Colorado. The division's receivables totalled approximately \$42,400,000 on May 31, 1969.

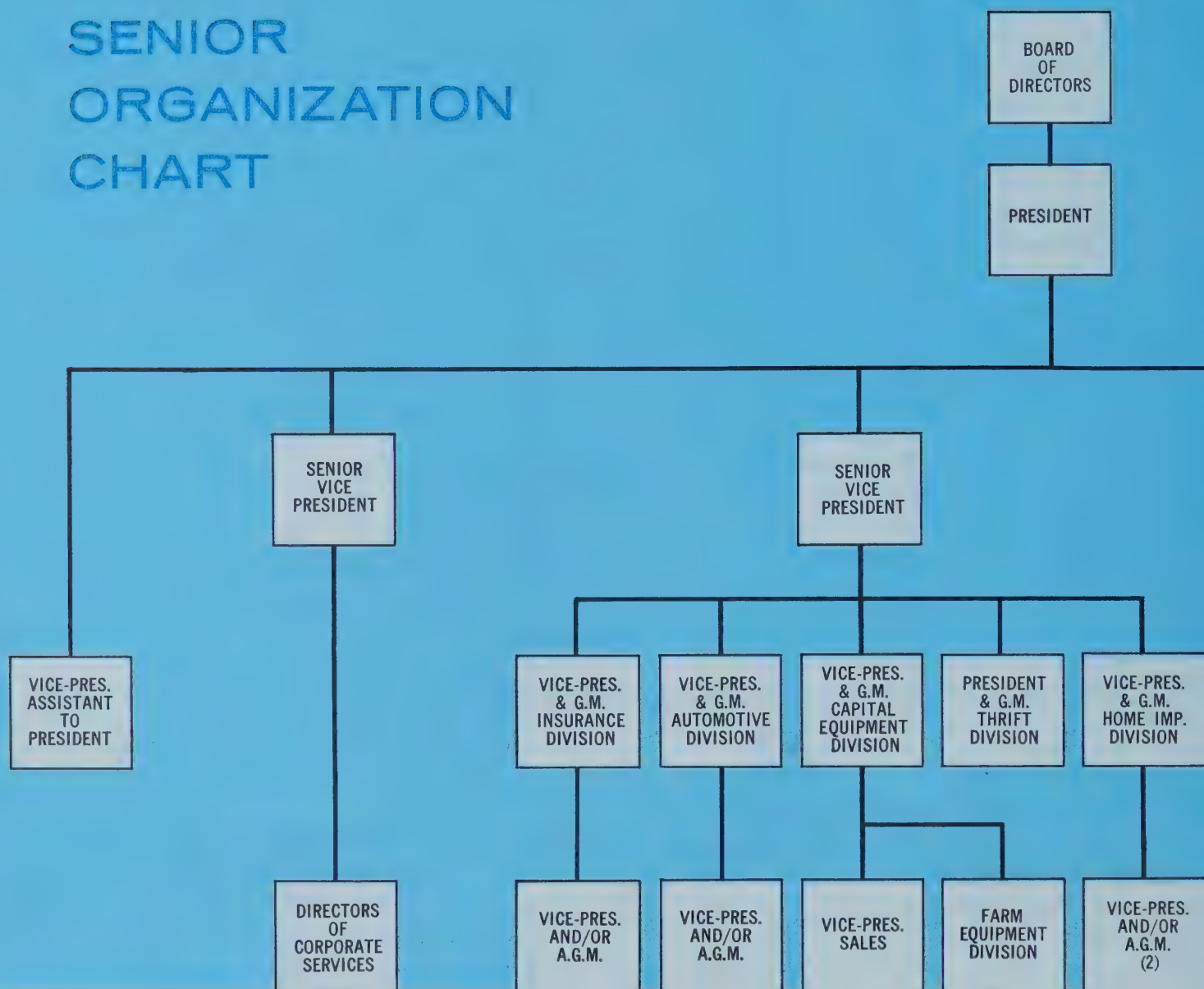


The following table indicates the extensive geographical distribution of the Company's offices and gross receivables outstanding at May 31, 1969 and November 30, 1968.

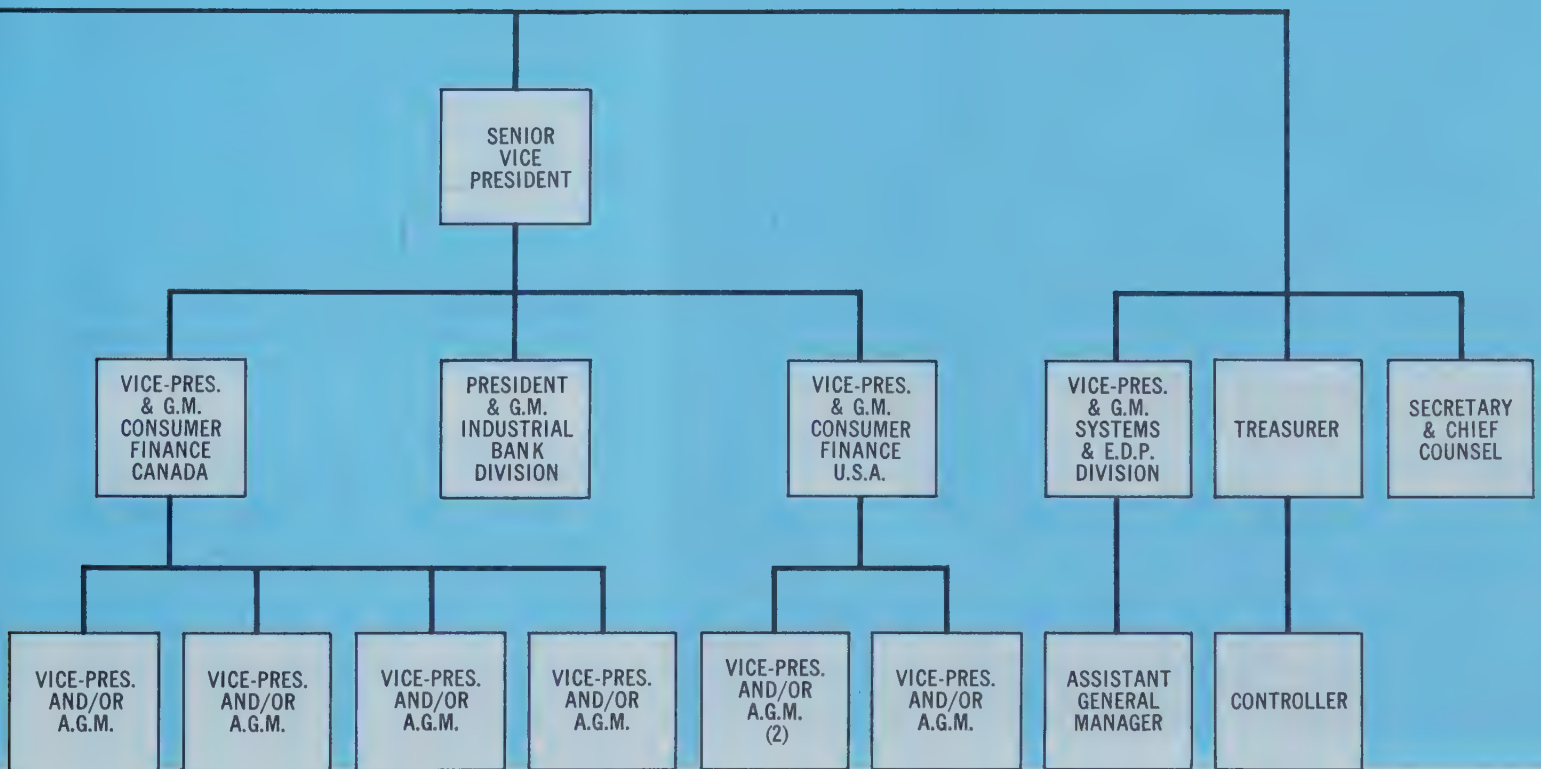
	Percent of Receivables Outstanding		Total Offices		Division Offices—1969				
	1969	1968	1969	1968	U.S. Consumer Finance	Home Improvement	Farm Equipment	Industrial Bank	Thrift
<b>UNITED STATES</b>									
Alabama	0.6%	0.3%	1	1		1			
Arizona	0.3	0.2	4	3	4				
California	6.3	5.3	21	23					21
Colorado	6.3	6.3	23	23	13			10	
Connecticut	0.7	0.8	2	1	1	1			
Florida	0.3	0.3	3	1	2	1			
Georgia	2.2	2.4	14	14	13	1			
Illinois	1.3	1.2	9	7	7	1	1		
Indiana	1.4	1.5	3	3	2	1			
Iowa	3.3	3.5	32	32	31		1		
Kansas	0.7	0.7	8	7	7		1		
Kentucky	0.2	0.2	3	2	3				
Louisiana	0.7	0.3	10	1	9	1			
Maine	1.0	1.0	2	1	1	1			
Maryland	0.1		1			1			
Massachusetts	1.1	1.2	2	1	1	1			
Michigan	1.6	1.8	3	2	1	1	1		
Minnesota	0.3	0.3	1	1			1		
Missouri	1.4	1.4	13	12	12	1			
Nebraska	2.8	2.8	30	30	30				
New Hampshire	0.8	1.0	2	1	1	1			
New York	5.9	6.8	6	6		5	1		
North Carolina	1.3	1.4	3	2	1	1	1		
Ohio	5.7	5.9	24	18	18	5	1		
Pennsylvania	2.2	2.2	3	2	1	1	1		
Rhode Island	0.6	0.7	2	1	1	1			
South Dakota	—	—	2	1	2				
Tennessee	1.4	1.5	13	21	13				
Texas	0.7	0.8	2	1	1	1			
Virginia	0.7	0.7	1	1		1			
Washington	—	0.4	—	1					
Wyoming	0.1	0.1	2	3	2				
	<u>52.0</u>	<u>53.0</u>	<u>245</u>	<u>223</u>	<u>177</u>	<u>28</u>	<u>10*</u>	<u>10</u>	<u>21</u>
<b>CANADA</b>									
Alberta	6.9	6.2	29	25	2	2	24	1	
British Columbia	6.2	6.3	35	31	5	1	28	1	
Manitoba	1.7	1.7	14	13	1	1	11	1	
New Brunswick	2.4	2.4	23	23			23		
Newfoundland	2.1	2.0	22	19			22		
Nova Scotia	2.1	2.1	22	21			22		
Ontario	15.8	15.9	124*	112*	10	1	110	2	
Prince Edward Is.	0.2	0.2	2	2			2		
Quebec	8.3	8.0	61	58	3	1	55	2	
Saskatchewan	2.3	2.2	17	15	2		15		
	<u>48.0</u>	<u>47.0</u>	<u>349</u>	<u>319</u>	<u>23</u>	<u>6</u>	<u>312</u>	<u>7</u>	
	<u>100.0%</u>	<u>100.0%</u>	<u>594</u>	<u>542</u>					

\*Includes one Farm Equipment Office located in Ontario, Canada.

# SENIOR ORGANIZATION CHART







# MANAGEMENT



Avco Delta maintains extensive job training programs to ensure that sufficient young men are being developed at all levels of management to assume additional responsibility as the growth of the Company continues.

In addition to various on-the-job training courses, formal training branches and schools have been established in several areas, and intensive classroom training is provided on a regularly scheduled basis.

As a result, there exists a highly trained group of young men at the middle and junior management levels who are ready and eager to assume additional responsibility as the company continues to expand.

It is a matter of pride with Avco Delta that every senior operational executive has started in the finance business at the minimum branch level and performed all job functions up to his current assignment.

Resumes of Avco Delta's senior executives are listed below:

**H. P. PATERNO**, *President*, has a background of more than 20 years in the finance industry, half of them with the company which he now heads at the age of 44.

**C. J. CONNELL**, *Senior Vice President*, for Corporate Services, came to the company in 1961 after 10 years experience in the insurance field. He is 40 years of age.

**T. M. CUMMING**, *Senior Vice President*, is responsible for both the U.S. and Canadian Consumer Finance Divisions, and the Industrial Bank Division. He has 18 years experi-



ence in the finance industry and has been with the company since 1959. He is 39 years of age.

**R. M. HETT**, *Senior Vice President*, has charge of the Thrift, Automotive, Capital Equipment, Farm Equipment, Home Improvement and Insurance divisions. He has been General Manager of the Automotive and Home Improvement divisions prior to his appointment to Senior Vice President. He is 38 years of age and has 15 years experience in the industry. He joined Delta in 1960 as a branch manager.

**W. A. GALLAWAY**, *Vice President and General Manager, Automotive Division*, At 39, he has completed 10 years in the organization and 15 in the industry, having started with Delta as a Branch Manager in 1959 and progressing through all supervisory levels in the Division to his present position.

**T. JACKSON**, *President and General Manager, Industrial Bank Division*, started 20 years ago in the Colorado Industrial Bank. He has progressed through all supervisory and executive posts to General Manager, which he holds at age 46.

**S. NEMIROW**, *President and General Manager of the Thrift Division*, began his career with the Colorado Industrial Bank in 1948 and progressed through all supervisory and executive capacities to his present position to which he was appointed in 1966. He is 48 years of age.

**C. L. NEWTON**, *Vice President and General Manager, Canadian Consumer Finance*

*Division*, has spent 11 of his 22 years in the industry with the company, progressing through all management and supervisory levels to his present position. He is 46 years of age.

**R. A. ANDERSON**, *Vice President and General Manager, United States Consumer Finance Division*, is in charge of operations in 16 states. He joined the company in 1959 after more than 10 years experience in the finance industry. He is 42 years of age.

**M. H. BAILEY**, *Vice President and General Manager, Capital Equipment and Farm Equipment Divisions*, assumed responsibility for the latter operation during the past year. He is 40 and had 15 years experience in banking and capital equipment financing before joining the company in 1965.

**R. J. O'BRIEN**, *Vice President and General Manager, Insurance Division*, has been in the insurance business since 1948 and joined Delta in 1963. He is 40 years of age.

**S. S. SHELDON**, *Vice President and General Manager, Home Improvement Division*, has more than 15 years experience in the finance business, 7 of which have been with Avco Delta. He is 39 years of age.

**H. E. DICKERSON**, *Vice President*, at age 40, is in charge of Special Projects and reports directly to the President. He joined Delta in 1959 and has formerly been General Manager of the Automotive and Farm Equipment Divisions. He has 18 years experience in the finance industry.

# MANAGEMENT CONTROLS

Management control is exercised through a well defined management organizational structure. Because of the rapid growth of the company, this structure is continually revised as the need develops for new responsibilities or functions.

In keeping with this principle, the Senior Management group was realigned in 1968. Responsibility for the various operating divisions within the Company is now divided among three Senior Vice Presidents reporting directly to the President, the General Managers of the various divisions in turn reporting to their respective Senior Vice President.

From this point on, the organizational structure varies among the divisions; however, on the average each regional manager directly supervises a geographical group of branches varying in number from one division to another. Depending upon the individual division, a branch will receive from two to five regular inspections per year. This number may be substantially increased by additional special visits when warranted.

An essential element in the organizational control is the separation of the accounting, data processing and treasury functions from the line organization. These departments report directly to the President.

Other areas through which management maintains control are:

## Management Audit

The primary function of the Management Audit department, which reports directly to the Audit Committee of the Board of Directors, is to assist management in independently appraising performance and in safeguarding assets. The management audit program is coordinated with that of

Arthur Young & Company, the Company's public accountants. Each year approximately  $\frac{1}{4}$  of the Company's offices, representing each division, receive surprise audits under the combined programs.

The management audit program includes direct confirmation, on a test basis, of customer accounts. Controlled statistical sampling is used so that inferences can be drawn as to the nature of the accounts as a whole in the offices tested.

## Accounting and Statistical Data

The Company has a highly sophisticated accounting and data processing system. Under the system all branch records can be duplicated on head office data processing equipment within 96 hours of the transaction. With this centralized control of records, the accounting and data processing centers are able to provide various levels of management with key operating statistics on a daily, weekly and monthly basis. For instance, some of the monthly statistics supplied to the Consumer Loan Division management are as follows:

1. Branch profit and loss statement, comparing budget and actual.
2. Delinquency figures on all retail accounts.
3. Listings of selected detail on all accounts including any differences between head office and branch balances.
4. Sources of business acquired and statistics relating to the volume of business gained from or lost to competitors.
5. Percentage of loans made to applications taken.
6. Losses and recoveries.

Various other vital statistics are produced monthly on the basis of each branch, region and the division as a whole. Excerpts from one of these reports are set out on the following page.



## ANALYSIS OF LOAN DIVISION

BRANCH :  
YEAR :[illegible]

NOTE: ALL TOTALS ARE FOR CURRENT FISCAL YEAR ONLY





# FINANCIAL STATEMENTS AND LONG FORM REPORT

SECTION 2







## CONSOLIDATED FINANCIAL POSITION

### ASSETS

	May 31, 1969	November 30, 1968	May 31, 1968
Cash . . . . .	\$ 46,279,335	\$ 53,470,342	\$ 32,809,283
Marketable securities, at cost (approximate market) . . . . .	2,889,616	1,108,875	467,435
Receivables (including amounts due after one year):			
Retail installment . . . . .	377,054,001	356,794,726	285,417,753
Loans . . . . .	307,998,558	266,223,183	232,963,261
Wholesale (on Avco New Idea farm equipment) . . . . .	45,191,167	33,432,009	41,967,675
Other wholesale and miscellaneous . . . . .	15,447,207	15,583,431	12,832,678
	<u>745,690,933</u>	<u>672,033,349</u>	<u>573,181,367</u>
Unearned discount and service charges . . . . .	(108,578,025)	(91,549,865)	(72,108,808)
Allowances for losses . . . . .	(14,035,978)	(12,848,226)	(10,210,048)
Net receivables . . . . .	<u>623,076,930</u>	<u>567,635,258</u>	<u>490,862,511</u>
Prepaid income taxes (Note 2) . . . . .	—	883,164	—
Other current assets . . . . .	3,160,769	3,022,141	2,907,689
<b>TOTAL CURRENT ASSETS . . . . .</b>	<b>675,406,650</b>	<b>626,119,780</b>	<b>527,046,918</b>
Net assets of insurance subsidiaries (Note 1) . . . . .	12,100,151	12,283,734	8,314,331
Property and equipment at cost less accumulated depreciation and amortization of \$3,495,346 in 1969 and \$3,075,706 in 1968 and deferred expenses . . . . .	7,603,101	6,879,631	5,204,926
Excess of cost of investments in subsidiaries over acquired equity in net assets without amortization . . . . .	16,769,759	16,835,410	14,657,254
<b>TOTAL ASSETS . . . . .</b>	<b>\$711,879,661</b>	<b>\$662,118,555</b>	<b>\$555,223,429</b>

### LIABILITIES AND STOCKHOLDER'S EQUITY

Notes payable			
Banks . . . . .	\$117,162,500	\$107,067,092	\$ 74,279,592
Commercial paper . . . . .	209,933,250	170,595,000	131,564,750
Long term debt installments due within one year . . . . .	20,344,237	18,438,747	12,989,108
	<u>347,439,987</u>	<u>296,100,839</u>	<u>218,833,450</u>
Savings deposits . . . . .	15,671,705	15,058,042	14,045,865
Accounts payable and accrued liabilities . . . . .	14,338,043	11,865,679	10,705,120
Income taxes (Note 2) . . . . .	585,037	—	353,118
Dealers' reserves and holdbacks . . . . .	2,970,267	2,603,231	2,318,656
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<b>381,005,039</b>	<b>325,627,791</b>	<b>246,256,209</b>
Long term debt (Note 3) . . . . .	235,320,875	243,976,031	228,862,838
Minority interest in subsidiaries . . . . .	3,410,746	5,111,684	4,076,929
<b>STOCKHOLDER'S EQUITY</b>			
Capital stock, no par value; 1,000 shares authorized, 848 shares issued and outstanding in 1969 . . . . .	34,850,000	34,850,000	33,850,000
Additional paid-in capital (Note 1) . . . . .	25,865,660	25,832,348	20,703,045
Retained earnings (Note 4) . . . . .	31,427,341	26,720,701	21,474,408
<b>TOTAL STOCKHOLDER'S EQUITY . . . . .</b>	<b>92,143,001</b>	<b>87,403,049</b>	<b>76,027,453</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY . . . . .</b>	<b>\$711,879,661</b>	<b>\$662,118,555</b>	<b>\$555,223,429</b>

See accompanying notes and supplementary information

## CONSOLIDATED EARNINGS

	Half Year Ending May 31, 1969	Second Quarter Ending May 31, 1969	Half Year Ending May 31, 1968	Second Quarter Ending May 31, 1968
Interest, discount and service charges of finance companies . . . . .	\$ 52,450,869	\$ 26,804,390	\$ 37,994,402	\$ 18,967,069
Income of insurance subsidiaries before income taxes (including gains on sale of securities of \$673,982 in 1969 and \$271,405 in 1968) . . . . .	1,158,729	466,042	992,852	953,248
	<u>53,609,598</u>	<u>27,270,432</u>	<u>38,987,254</u>	<u>19,920,317</u>
Expenses				
Interest and debt expense. . . . .	18,821,696	9,871,455	13,334,092	6,930,592
Provision for losses on collection of receivables . . . . .	4,988,718	2,872,694	3,496,793	1,865,425
Other operating expenses . . . . .	20,118,027	9,739,709	14,987,744	6,969,031
Income taxes (Note 2) . . . . .	4,850,000	2,412,000	3,340,000	1,909,000
	<u>48,778,441</u>	<u>24,895,858</u>	<u>35,158,629</u>	<u>17,674,048</u>
Earnings before minority interest . . . . .	4,831,157	2,374,574	3,828,625	2,246,269
Preferred stock dividends paid by subsidiaries . . . . .	124,517	48,381	117,742	54,251
NET EARNINGS (Note 1) . . . . .	<u>\$ 4,706,640</u>	<u>\$ 2,326,193</u>	<u>\$ 3,710,883</u>	<u>\$ 2,192,018</u>

## CONSOLIDATED STOCKHOLDER'S EQUITY

	Six Months Ended May 31, 1969			
	Capital stock	Additional paid-in capital	Retained earnings (Note 4)	Total
Balance at November 30, 1968 . . . . .	\$ 34,850,000	\$ 25,832,348	\$ 26,720,701	\$ 87,403,049
Net earnings for the six months . . . . .			4,706,640	4,706,640
Capital contributions by Avco Corporation. . . . .		33,312		33,312
Balance at May 31, 1969 . . . . .	<u>\$ 34,850,000</u>	<u>\$ 25,865,660</u>	<u>\$ 31,427,341</u>	<u>\$ 92,143,001</u>

See accompanying notes and supplementary information



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1969

### NOTE 1—PRINCIPLES OF CONSOLIDATION

Avco Delta Corporation is a wholly-owned subsidiary of Avco Corporation, and Avco Delta purchases wholesale receivables acquired by Avco in the sale of farm equipment.

The consolidated financial statements of Avco Delta Corporation include the accounts of all subsidiaries except insurance companies whose combined assets (\$29,795,633) less combined liabilities (\$17,695,482) are presented separately in the statement of consolidated financial position. The statement of consolidated earnings reflects separately the income of insurance subsidiaries before income taxes.

The accounts of the Canadian subsidiaries have been translated at the established rate of exchange of \$1 Canadian = \$.925 U.S. At May 31, 1969, \$259,055,739 of current assets and \$7,979,635 of current liabilities were represented by amounts to be settled in Canadian funds.

Late in 1968, Avco Corporation contributed its investments in two finance companies to Avco Delta Corporation. The earnings of these companies, which are not material, have been included since the dates of acquisition.

### NOTE 2—INCOME TAXES

U.S. federal income taxes are based upon inclusion of Avco Delta and its domestic subsidiaries in consolidated tax returns with its parent, Avco Corporation.

### NOTE 3—LONG TERM DEBT

At May 31, 1969 long term debt consisted of:

Senior notes payable—5% to 7¾% maturing annually to April 1, 1983 . . .	\$177,515,862
Senior subordinated notes payable— 5¼% to 7¼% maturing annually to September 1, 1981 . . . . .	45,380,188
Junior subordinated notes payable— 5⅝% to 7¼% maturing annually to June 30, 1988 . . . . .	32,769,062
	<u>255,665,112</u>
Installments due within one year (included in current liabilities) . . .	(20,344,237)
	<u>\$235,320,875</u>

### NOTE 4—RETAINED EARNINGS

Under the agreements relating to the notes payable approximately \$3,900,000 of Avco Delta's retained earnings as at May 31, 1969 was not restricted as to the payment of cash dividends on capital stock.

### NOTE 5—LEASE COMMITMENTS

Substantially all of the branch offices and certain other properties occupied by the company are leased. The total annual rental commitments average approximately \$1,950,000 for the fiscal years ending 1969-1973, and amounts thereafter which are not considered material. These leases extend over various periods (normally less than five years) up to 1989 and it is expected that in the normal course of operations they will be extended or replaced.

# SUPPLEMENTARY INFORMATION AND STATISTICAL ANALYSES

Following herein is supplementary information with respect to consolidated results of operations for the six months ended May 31, 1969 and the consolidated financial position at that date. This also

includes more detailed comments upon, or explanations of, certain of the asset and liability accounts appearing in the Statement of Consolidated Financial position at May 31, 1969.

## OPERATIONS

### COMPARATIVE SUMMARY

The following summary shows the consolidated results of operations for the six months ended May 31, 1969 in comparison with the six months ended May 31, 1968.

	Six Months 1969		Six Months 1968		Increase or (Decrease)
	Amount	Percentage of Total Income	Amount	Percentage of Total Income	
INCOME					
Interest, discount and service charges of finance companies . . . . .	\$52,450,869	97.8%	\$37,994,402	97.5%	.3%
Income of insurance subsidiaries before income taxes. . . . .	1,158,729	2.2	992,852	2.5	(.3)
	53,609,598	100.0	38,987,254	100.0	—
EXPENSES					
Interest and debt expense. . . . .	18,821,696	35.1	13,334,092	34.2	.9
Provision for losses on collection of receivables . . . . .	4,988,718	9.3	3,496,793	9.0	.3
Other operating expenses . . . . .	20,118,027	37.5	14,987,744	38.4	(.9)
	43,928,441	81.9	31,818,629	81.6	.3
Earnings before income tax and minority interest . . . . .	9,681,157	18.1	7,168,625	18.4	(.3)
U.S. federal and Canadian income taxes . . . . .	4,850,000	9.0	3,340,000	8.6	.4
Preferred stock dividends paid by subsidiaries . . . . .	124,517	.3	117,742	.3	—
NET EARNINGS . . . . .	\$ 4,706,640	8.8%	\$ 3,710,883	9.5%	(.7)%

A five year comparison of CONSOLIDATED EARNINGS is set out below:

	(6 mo.) 1969	1968	1967	1966	1965
<b>INCOME</b>		(Thousands of Dollars)			
Interest, discount and service charges of finance companies . . . . .	\$52,451	\$83,981	\$69,046	\$56,279	\$40,317
Income of insurance subsidiaries before income taxes . . . . .	1,159	3,621	1,619	1,649	881
	<u>53,610</u>	<u>87,602</u>	<u>70,665</u>	<u>57,928</u>	<u>41,198</u>
<b>EXPENSES</b>					
Interest and debt expense . . . . .	18,822	29,967	22,127	17,697	11,716
Provision for losses on collection of receivables. . . . .	4,989	8,442	7,849	6,345	5,211
Other operating expenses . . . . .	20,118	32,832	27,483	23,011	16,198
Income taxes . . . . .	4,850	7,048	6,152	5,588	4,046
	<u>48,779</u>	<u>78,289</u>	<u>63,611</u>	<u>52,641</u>	<u>37,171</u>
Earnings before minority interest . . . . .	4,831	9,313	7,054	5,287	4,027
Preferred stock dividends paid by subsidiaries. . . . .	124	356	262	386	466
<b>NET EARNINGS</b> . . . . .	<u>\$ 4,707</u>	<u>\$ 8,957</u>	<u>\$ 6,792</u>	<u>\$ 4,901</u>	<u>\$ 3,561</u>

## SOURCE OF FUNDS

The following summary shows the net increase during the period in investment in contracts and the manner in which this increase was financed.

Volume of contracts purchased during the period . . . . .	\$428,593,564
Liquidation during the period (including write-offs and small loan refinancing and renewals) . . . . .	354,656,329
	<u>73,937,235</u>
Increase in allowance for losses on contracts outstanding . . . . .	\$ 1,187,752
Increase in unearned discount and service charges on contracts outstanding plus decrease in accrued interest . . . . .	17,307,811
	<u>18,495,563</u>
Increase in net receivables at May 31, 1969 of 623,076,930 over the corresponding balance at November 30, 1968 of \$567,635,258 . . . . .	55,441,672
Increase in dealers' reserves and holdbacks on contracts at May 31, 1969 over the balance at November 30, 1968 . . . . .	367,036
Net increase in investment in contracts at May 31, 1969 over the balance at November 30, 1968 . . . . .	<u>\$ 55,074,636</u>



**This net increase of \$55,074,636 in investment in contracts at May 31, 1969 over the balance at November 30, 1968 was financed as follows:**

Net earnings for the period . . . . .	\$ 4,706,640	
Add amortization and depreciation charged to operations . . . . .	419,640	\$ 5,126,280
Increase in notes payable . . . . .		
Banks . . . . .		10,095,408
Commercial paper . . . . .		39,338,250
		49,433,658
Capital contribution by parent company		
Additional paid-in capital . . . . .		33,312
Decrease in cash . . . . .		7,191,007
Increase in U.S. and Canadian income taxes payable . . . . .		1,468,201
Increase in accounts payable and accrued liabilities. . . . .		2,472,364
Increase in savings deposits . . . . .		613,663
Decrease in net assets of insurance subsidiaries . . . . .		183,583
Decrease in excess of cost of investments in subsidiaries over acquired equity in net assets . . . . .		65,651
		\$ 66,587,719
Deduct funds used for purposes other than the purchase of contracts:		
Decrease in long term debt . . . . .		6,749,666
Decrease in minority interest in subsidiaries . . . . .		1,700,938
Increase in property and equipment and deferred expenses . . . . .		1,143,110
Increase in marketable securities . . . . .		1,780,741
Increase in other current assets . . . . .		138,628
		11,513,083
		<u>\$ 55,074,636</u>

## FINANCIAL POSITION

Set out below are details of certain of the assets and liabilities shown on the statement of Consolidated Financial Position as at May 31, 1969.

RECEIVABLES . . . . .		\$745,690,933	
LESS—UNEARNED DISCOUNT AND			
SERVICE CHARGES . . . . .	\$108,578,025		
—ALLOWANCE FOR LOSSES . . . . .	<u>14,035,978</u>	<u>122,614,003</u>	<u>\$623,076,930</u>

Receivables at May 31, 1969 and November 30, 1968 comprise:

	1969	1968
RETAIL INSTALLMENT . . . . .	\$377,054,001	\$356,794,726
LOANS . . . . .	307,998,558	266,223,183
WHOLESALE—(On Avco New Idea Farm Equipment) . . . . .	45,191,167	33,432,009
OTHER WHOLESALE . . . . .	13,085,346	12,949,165
CAPITAL LOANS . . . . .	<u>1,540,132</u>	<u>1,532,886</u>
	744,869,204	670,931,969
ACCRUED INTEREST . . . . .	<u>821,729</u>	<u>1,101,380</u>
	<u>\$745,690,933</u>	<u>\$672,033,349</u>

Statistical analyses of contracts receivable as to type of collateral, maturity, volume and liquidation and delinquency as summarized from the Company's records are as follows:

The maturities at May 31, 1969 of retail installment receivables of \$377,054,001, loans of \$307,998,558 and capital loans of \$1,540,132 totalling \$686,592,691

are shown below along with the corresponding maturities for November 30, 1968. The terms of these receivables require monthly installment payments.

	May 31, 1969		November 30, 1968	
	Amount	%	Amount	%
Past due installments . . . . .	\$ 2,149,138	.3%	\$ 2,324,178	.4%
Installments due within one year excluding past dues . . . . .	289,531,979	42.2	271,785,310	43.5
Total due within one year . . . . .	291,681,117	42.5	274,109,488	43.9
13-24 months . . . . .	203,975,897	29.7	188,768,155	30.2
25-36 months . . . . .	112,155,731	16.3	97,485,072	15.6
37-48 months . . . . .	44,859,206	6.5	37,534,937	6.0
49-60 months . . . . .	23,259,284	3.4	17,441,709	2.8
Over 60 months . . . . .	10,661,456	1.6	9,211,434	1.5
	<u>686,592,691</u>	<u>100.0%</u>	624,550,795	<u>100.0%</u>
Wholesale . . . . .	58,276,513		46,381,174	
Accrued interest . . . . .	821,729		1,101,380	
Total receivables . . . . .	<u>\$745,690,933</u>		<u>\$672,033,349</u>	

# ANALYSIS OF CONTRACTS RECEIVABLE, VOLUME AND LIQUIDATION BY TYPE OF COLLATERAL

KIND OF PAPER	November 30, 1968		Volume of contracts purchased during the period	Liquidation during the period**	May 31, 1969	
	Amount	%			Amount	%
RETAIL INSTALLMENT						
New automobiles . . .	\$ 28,945,995	4.31%	\$ 12,875,590	\$ 16,886,141	\$ 24,935,444	3.75%
Used automobiles . . .	10,673,417	1.59	5,896,989	6,390,774	10,179,632	1.37
Mobile homes . . . . .	12,142,020	1.81	5,634,812	3,508,400	14,268,432	1.92
Capital equipment . . .	33,145,402	4.94	15,502,075	14,352,065	34,295,412	4.20
Home improvement . . .	145,409,146	21.68	38,113,974	29,620,374	153,902,746	20.66
Real property . . . . .	36,370,300	5.42	21,894,623	9,805,731	48,459,192	6.51
Farm equipment . . . . .	28,747,938	4.28	8,985,356	10,869,437	26,863,857	3.61
Household goods and/or automobiles* . . . . .	51,397,093	7.66	41,011,565	39,422,863	52,985,795	7.10
Other . . . . .	9,963,415	1.49	5,810,658	4,610,582	11,163,491	1.50
Total retail . . . . .	356,794,726	53.18	155,725,642	135,466,367	377,054,001	50.62
LOANS						
Automobiles. . . . .	14,192,254	2.12	12,724,604	9,209,910	17,706,948	2.38
Household goods . . .	140,728,147	20.97	113,097,189	88,822,442	165,002,894	22.15
Household goods and automobiles . . . . .	89,583,180	13.35	64,721,222	52,836,282	101,468,120	13.62
Other . . . . .	21,719,602	3.24	23,238,938	21,137,944	23,820,596	3.20
Total loans . . . . .	266,223,183	39.68	213,781,953	172,006,578	307,998,558	41.35
WHOLESALE						
New automobiles . . .	8,348,672	1.24	24,319,379	24,408,021	8,260,030	1.10
Used automobiles . . .	324,669	.05	787,542	382,068	730,143	.10
Mobile homes . . . . .	1,327,760	.20	4,096,264	3,360,823	2,063,201	.28
Farm equipment . . . .	33,616,202	5.01	26,751,783	14,927,077	45,440,908	6.10
Other . . . . .	2,763,871	.41	2,955,755	3,937,395	1,782,231	.24
Total wholesale . . . .	46,381,174	6.91	58,910,723	47,015,384	58,276,513	7.82
CAPITAL LOANS . . . . .	1,532,886	.23	175,246	168,000	1,540,132	.21
	670,931,969	100.00%	\$428,593,564	\$354,656,329	\$744,869,204	100.00%
ACCRUED INTEREST . . .	1,101,380				821,729	
TOTAL . . . . .	\$672,033,349				\$745,690,933	

\*Primarily household goods acquired through dealers by divisions specializing in direct lending.

\*\*Includes notes charged off during the period.

The number of accounts outstanding as well as the average balance and average maturity of receivables as of May 31, 1969 are as follows:

Division	Number of accounts (excluding wholesale)	Average Balance	Average maturity in months	
			1969	1968
Automotive . . . . .	28,637	\$ 2,740	25	24
Capital Equipment . . . . .	2,087	16,515	17	17
Farm Equipment . . . . .	7,414	2,982	19	21
Home Improvement . . . . .	85,650	1,990	38	38
Industrial Banking . . . . .	46,129	758	18	18
Thrift . . . . .	55,497	763	21	18
Canadian Consumer Finance . . . . .	247,815	827	21	19
U.S. Consumer Finance . . . . .	150,924	607	18	17
Total Company . . . . .	624,153	1,098		



**ANALYSIS OF VOLUME OF BUSINESS BY TYPE OF COLLATERAL**  
(Thousands of Dollars)

KIND OF PAPER	(6 mo.) 1969		1968		1967		1966		1965	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>RETAIL INSTALLMENT</b>										
New automobiles . . .	\$ 12,876	3.0%	\$ 27,500	3.9%	\$ 23,742	4.1%	\$ 28,095	5.6%	\$ 29,124	7.8%
Used automobiles . . .	5,897	1.4	12,487	1.8	11,329	2.0	15,034	2.9	19,396	5.2
Mobile homes . . .	5,635	1.3	8,888	1.3	5,667	1.0	3,800	.7	2,449	.7
Capital equipment . . .	15,502	3.6	30,138	4.3	26,075	4.5	23,991	4.7	25,749	6.9
Home improvement . . .	38,114	8.9	59,291	8.4	43,592	7.5	41,507	8.1	55,724*	15.0
Real property . . .	21,895	5.1	26,608	3.8	15,312	2.6	11,671	2.2		
Farm equipment . . .	8,985	2.1	21,616	3.1	24,791	4.3	10,192	2.0		
Other** . . .	46,822	10.9	81,498	11.6	65,384	11.2	60,996	11.8	34,072	9.2
Total retail . . .	155,726	36.3	268,026	38.2	215,892	37.2	195,286	38.0	166,514	44.8
<b>LOANS</b>										
Automobiles . . .	12,725	3.0	17,077	2.4	11,968	2.1	10,745	2.1	7,867	2.1
Household goods . . .	113,097	26.4	163,462	23.3	126,471	21.7	117,924	22.9	76,716	20.6
Household goods and automobiles . . .	64,721	15.1	99,014	14.1	98,003	16.9	61,892	12.0	52,144	14.0
Other . . .	23,239	5.4	31,869	4.5	24,069	4.2	34,795	6.8	16,779	4.5
Total loans . . .	213,782	49.9	311,422	44.3	260,511	44.9	225,356	43.8	153,506	41.2
<b>WHOLESALE</b>										
New automobiles . . .	24,319	5.7	47,675	6.8	44,548	7.7	49,033	9.6	44,164	11.8
Used automobiles . . .	788	.2	2,773	.4	1,864	.3	2,082	.4	2,176	.6
Mobile homes . . .	4,096	1.0	5,181	.7	3,075	.5	2,135	.4	1,726	.5
Farm equipment . . .	26,752	6.2	60,896	8.7	49,787	8.6	35,017	6.8		
Other . . .	3,124	.7	5,922	.8	4,101	.7	5,334	1.0	3,434	.9
Total wholesale . . .	59,079	13.8	122,447	17.4	103,375	17.8	93,601	18.2	51,500	13.8
CAPITAL LOANS . . .	7	—	962	.1	660	.1	212	—	812	.2
TOTAL VOLUME . . .	\$428,594	100.0%	\$702,857	100.0%	\$580,438	100.0%	\$514,455	100.0%	\$372,332	100.0%

\*Includes contracts secured by real property for which amounts are not available.

\*\*Includes conditional sales agreements, covering primarily household goods and/or used automobiles acquired through dealers by divisions specializing in direct lending.

**The following is an analysis of delinquent accounts at May 31, 1969:**

	Number of Accounts	Amount	Percentage of related outstandings
<b>Direct cash loans:</b>			
90 day accounts—no collections			
received for 90 days or more . . . . .	7,626	\$ 4,787,058	1.55%
60 - 89 day accounts — no collections			
received for 60 to 89 days . . . . .	6,327	3,843,056	1.25
Interest only accounts . . . . .	1,187	666,327	.22
	<u>15,140</u>	<u>9,296,441</u>	<u>3.02%</u>
<b>Retail installment contracts:</b>			
60 day accounts — one or more installments			
more than 60 days past due . . . . .		7,333,472	1.94%
Total—May 31, 1969 . . . . .		\$16,629,913	2.42%
Total—November 30, 1968 . . . . .		\$14,812,434	2.37%

**UNEARNED DISCOUNT AND SERVICE CHARGES** of \$108,578,025 represent the portion of interest and other finance charges included in the original face amount of related contracts receivable which is deemed to be unearned as at May 31, 1969.

The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, generally 15%, is taken into income at the time of the purchase of each contract to offset acquisition costs. The remainder of the finance charge is transferred

to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).

Interest on loans which do not include interest or finance charges in the original face amount is taken into income as earned and interest accrued at the respective balance sheet dates has been included with contracts receivable.

Unearned discount and service charges as related to each division are set out below:

	May 31, 1969		November 30, 1968	
DIVISION	Amount	Ratio to related receivables	Amount	Ratio to related receivables
		(Thousands of Dollars)		
Automotive (Note 1) . . . . .	\$14,341	19.0%	\$10,014	15.1%
Capital Equipment . . . . .	3,746	11.3	3,439	10.4
Consumer Finance:				
Canadian—				
Conditional sales contracts . . . . .	1,810	11.0	1,836	10.6
Large loans . . . . .	28,087	21.8	20,723	19.6
	29,897	20.6	22,559	18.3
United States—				
Conditional sales contracts . . . . .	1,436	10.4	1,370	10.2
Small loans . . . . .	7,437	16.6	6,433	16.7
Large loans . . . . .	3,094	12.7	2,792	12.1
	11,967	14.4	10,595	14.1
Banking				
Conditional sales contracts . . . . .	1,111	10.5	934	10.3
Consumer loans . . . . .	4,025	17.2	3,610	15.7
	5,136	15.1	4,544	14.0
Thrift				
Conditional sales contracts . . . . .	4,084	15.5	1,075	10.4
Consumer loans . . . . .	2,309	14.8	1,197	13.2
	6,393	15.2	2,272	11.7
Home Improvement . . . . .	33,929	19.9	34,524	19.8
Farm Equipment . . . . .	3,169	11.7	3,603	12.5
Total . . . . .	\$108,578	17.8%	\$91,550	16.6%

Note 1—1969 figures include \$6,307,803 of unearned discount and service charges from Canadian direct mortgage operations. At November 30, 1968 this amount was \$2,714,000.

A summary of the **ALLOWANCE FOR LOSSES** for the period ended May 31, 1969 follows:

Balance November 30, 1968 . . . . .	\$12,848,226
Provision for losses charged to operations . . . . .	4,988,718
	<u>\$17,836,944</u>
Allowance for losses re receivables sold . . . . .	9,471
Losses on receivables less recoveries of \$1,003,459. . . . .	3,791,495
	<u>3,800,966</u>
Balance May 31, 1969 . . . . .	<u>\$14,035,978</u>

Accounts are reviewed continually by supervi-

sion and management and it is the Company's policy to write off all known losses, including the excess of repossession inventory over market value thereof, as they are ascertained regardless of the state of delinquency. The allowance for losses is determined for wholesale, capital loans and large capital equipment loans on a specific account basis and for all other accounts as a percentage of outstandings having regard to the Company's loss to liquidation experience.

The allowance for losses and its relation to receivables outstanding as well as the net losses to liquidation for 1965 to 1969 is as follows:

DIVISION	YEAR	Allowance for Losses	Related (1) Receivables	Ratio	Losses (2) Less Recoveries	Liquidation(3) During period	Ratio
		(Thousands of Dollars)	(Thousands of Dollars)		(Thousands of Dollars)	(Thousands of Dollars)	
Automotive . . . . .	1969	\$ 1,628	\$ 78,930	2.06	\$ 206	\$ 31,672	.65%
	1968	1,358	69,415	1.95	284	52,937	.54
Capital Equipment . . . . .	1969	694	34,296	2.02	110	14,230	.77
	1968	663	33,145	2.00	249	29,230	.85
Home Improvement . . . . .	1969	3,426	171,075	2.00	1,173	34,238	3.43
	1968	3,500	174,306	2.01	2,584	64,080	4.03
Farm Equipment . . . . .	1969	468	26,864	1.74	302	10,560	2.86
	1968	517	28,748	1.80	217	15,682	1.38
Consumer Finance							
—Canada . . . . .	1969	4,099	205,677	2.00	892	128,101	.70
	1968	3,625	181,865	2.00	1,577	208,672	.76
—U.S. . . . .	1969	2,102	91,489	2.30	751	52,819	1.42
	1968	2,080	83,890	2.48	1,411	72,583	1.94
Industrial Bank . . . . .	1969	771	35,936	2.15	257	16,055	1.60
	1968	715	33,189	2.15	484	30,322	1.60
Thrift . . . . .	1969	848	42,326	2.00	101	15,032	.67
	1968	390	19,464	2.00	88	15,930	.55
TOTAL COMPANY . . . . .	1969	14,036	686,593	2.05	3,792	302,707	1.25
	1968	12,848	624,022	2.06	6,894	489,436	1.41
	1967	9,344	481,320	1.94	6,079	407,410	1.49
	1966	7,574	418,780	1.81	4,736	334,910	1.41
	1965	5,735	329,422	1.74	3,741	242,229	1.54

(1) Excludes wholesale receivables

(2) Includes wholesale losses

(3) Excludes notes charged off and wholesale liquidation

The relation of losses to the average outstanding loans for 1965 to 1969 is as follows:

YEAR	Average Outstanding	Losses less Recoveries	Ratio
	(Thousands of Dollars)	(Thousands of Dollars)	
1969	\$287,111	\$ 1,817	1.26%
1968	238,798	3,150	1.32
1967	196,343	2,614	1.33
1966	155,782	1,824	1.17
1965	106,258	1,208	1.14



**OTHER CURRENT ASSETS—\$3,160,769**

Other current assets are summarized as follows:

Repossessions, foreclosures and property held for resale—at the lower of cost or market value . . . . .	\$1,366,149
Prepaid interest . . . . .	563,888
Experience dividends receivable from health and accident insurance companies . . . . .	471,643
Mortgage receivable . . . . .	175,000
Prepaid expenses . . . . .	131,794
Due from Avco Corporation . . . . .	125,000
Miscellaneous . . . . .	327,295
	<u>\$3,160,769</u>

**NET ASSETS OF INSURANCE SUBSIDIARIES—\$12,100,151**

Net assets of subsidiary insurance companies at May 31, 1969 and November 30, 1968 consisted of:

ASSETS:	1969	1968
Cash . . . . .	\$ 488,688	\$ 1,019,900
Amounts due from customers, insurance agents and re-insurance companies . . . . .	3,689,060	2,565,701
Investments, at cost plus accrued interest . . . . .	25,617,885	24,692,521
Total assets . . . . .	<u>29,795,633</u>	<u>28,278,122</u>
LIABILITIES:		
Provision for outstanding insurance claims . . . . .	8,411,376	8,299,418
Unearned premiums . . . . .	6,682,898	6,542,187
Accounts payable (including taxes) . . . . .	2,601,208	1,152,783
Total liabilities . . . . .	<u>17,695,482</u>	<u>15,994,388</u>
NET ASSETS . . . . .	<u>\$12,100,151</u>	<u>\$12,283,734</u>

**PROPERTY AND EQUIPMENT AND DEFERRED EXPENSES****AT COST LESS ACCUMULATED DEPRECIATION AND AMORTIZATION—\$7,603,101**

Details of property and equipment and deferred expenses are set out below:

Property and equipment, at cost:

Land . . . . .	\$ 286,132
Buildings and improvements . . . . .	3,045,063
Furniture and equipment . . . . .	6,366,587
	<u>9,697,782</u>

Accumulated depreciation and amortization . . . . .	(3,495,346)	\$6,202,436
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Deferred expenses:

Unamortized financing expense . . . . .	761,177	
Deferred branch opening expenses . . . . .	639,488	1,400,665

\$7,603,101

Depreciation and amortization were charged to income during the year on a basis consistent with that of the preceding year, namely, on declining balance and straight line methods.

The balance sheet of Avco Delta Properties, Inc., a wholly owned subsidiary of Avco Delta, which is unconsolidated for purposes of Avco Delta's Loan Agreements, holding fixed assets in the U.S. is presented as follows:

<b>ASSETS</b>	
Cash . . . . .	\$ 25,000
Land, buildings, furniture and leasehold improvements at cost (Note 1) . . . . .	4,797,791
Accumulated depreciation and amortization . . . . .	(1,412,719)
	<u>3,385,072</u>
<b>TOTAL ASSETS . . . . .</b>	<b><u>\$3,410,072</u></b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
Accounts payable to related companies . . . . .	\$1,998,697
Current portion of long term debt . . . . .	141,837
Accrued income taxes . . . . .	39,000
Accrued interest . . . . .	16,906
	<u>2,196,440</u>
Long term debt (Note 1) . . . . .	1,167,002
<b>STOCKHOLDER'S EQUITY</b>	
Common stock, no par value; 1,000 shares authorized, 10 shares issued and outstanding . . . . .	1,000
Retained earnings . . . . .	<u>45,630</u>
<b>TOTAL STOCKHOLDER'S EQUITY. . . . .</b>	<b><u>46,630</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY . . . . .</b>	<b><u>\$3,410,072</u></b>

Note 1—Certain fixed assets having a net book value of \$1,332,661 are security for repayment of the long term note payable bearing interest at 7¾% due January 1, 1975.

The Company has followed the practice of deferring commissions, legal and other expenses in connection with the issue of its notes and the preferred stock of a subsidiary. Note expenses are amortized over the lives of the respective issues and preferred stock expenses over a period of 60 months. During the six months ended May 31, 1969 deferred and previous note and preferred stock expenses of \$87,670 were charged to operations leaving a de-

ferred balance of \$761,177 (\$848,846 at November 30, 1968).

The Canadian Consumer Finance Division defers a portion of the operating expenses incurred by each new branch during its development period which is considered to be the first twelve months of operation. The amount deferred for each office is limited to \$10,000 and is charged against operations during thirty-six months following completion of the development period.

#### **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—\$14,338,043**

These consist of:

Accrued interest payable . . . . .	\$ 4,638,023
Due to Avco New Idea on wholesale advances . . . . .	4,519,117
Accrued salaries and bonuses . . . . .	743,206
Trade accounts payable . . . . .	1,191,214
Miscellaneous taxes payable, other than state and federal . . . . .	602,635
Credit life and physical damage insurance premiums payable . . . . .	2,048,249
Employee tax deductions payable . . . . .	444,132
Other . . . . .	<u>151,467</u>
	<b><u>\$14,338,043</u></b>

## INCOME TAXES—\$585,037

These consist entirely of federal, state, and provincial corporation income taxes.

Taxes on income as filed in respect of Avco Delta Corporation and its subsidiaries have been paid to November 30, 1967. In addition the Companies have either paid or set aside adequate reserves for the payment of all taxes in respect of the eighteen months ended May 31, 1969.

Details of the years for which income taxes have been examined are as follows:

Avco Delta Corporation . . . . .	Not Examined	Avco Thrift	
Avco Delta Corporation Canada Limited and its Canadian subsidiaries		—Government of the United States of America . . . . .	1967
—Government of Canada . . . . .	1966	Colorado Industrial Bank and its affiliated companies including Citizens Finance Company	
—Provincial . . . . .	1966	—Government of the United States of America . . . . .	1966
Avco Delta Corporation of Massachusetts and its affiliated companies		Peoples National Fund, Inc. and its subsidiaries	
—Government of the United States of America . . . . .	1964	—Government of the United States of America . . . . .	1964
Avco Finance Company and its subsidiaries		Phelan Finance Corp. and its subsidiaries	
—Government of the United States of America . . . . .	1966	—Government of the United States of America . . . . .	1966
Avco New Idea Credit Corporation			
—Government of the United States of America . . . . .	Not Examined		

## SAVINGS DEPOSITS—\$15,671,705

This represents savings deposits and certificates (\$15,211,231), and debentures (\$460,474), of Industrial Bank and Thrift subsidiaries. They yield the depositor interest varying in rate from 4% to 7%. The depositor has no checking privileges but can make withdrawals upon legally required notice.

## DEALERS' RESERVES

### AND HOLDBACKS—\$2,970,267

On the purchase of installment contracts from dealers and others, the Company withholds a portion of the purchase price for application against possible losses on contracts purchased and also to offset unearned discount and service charges rebated to customers on the prepayment of contracts. To a limited extent amounts withheld on contracts purchased represent an additional allowance for losses on receivables.



## NOTES AND DEBENTURES PAYABLE

<b>BANKS</b> . . . . .	<b>\$117,162,500</b>	
<b>COMMERCIAL PAPER</b> . . . . .	<b>209,933,250</b>	
<b>LONG TERM</b> . . . . .	<b>255,665,112</b>	<b>\$582,760,862</b>

Notes and debentures payable at May 31, 1969 are summarized as follows:

	Total	Due Within One Year
Senior notes:		
Short term series—Banks (Prime Rate):		
Payable in U.S. funds . . . . .	\$115,035,000	\$115,035,000
Payable in Canadian funds . . . . .	2,127,500	2,127,500
	<u>117,162,500</u>	<u>117,162,500</u>
Commercial paper:		
Payable in U.S. funds . . . . .	203,782,000	203,782,000
Payable in Canadian funds . . . . .	6,151,250	6,151,250
	<u>209,933,250</u>	<u>209,933,250</u>
Senior long term notes—5% to 7¾%		
Maturing annually to April 1, 1983 . . . . .	177,515,862	14,389,087
Senior subordinated notes—5¼% to 7¼%		
Maturing annually to September 1, 1981 . . . . .	45,380,188	3,148,588
Junior subordinated notes—5⅝% to 7¼%		
Maturing annually to June 30, 1988 . . . . .	32,769,062	2,806,562
	<u>255,665,112</u>	<u>20,344,237</u>
	<u>\$582,760,862</u>	<u>\$347,439,987</u>

**Particulars of long term notes payable are as follows:**

**SENIOR NOTES PAYABLE**

	Annual Payment	Amount
5% due September 1, 1979 . . . . .	\$ 100,000 - 1970 to 1978	\$ 1,000,000
5½% due July 1, 1980 . . . . .	1,395,000 - 1969 to 1978	
	6,967,500 - 1979	20,917,500
5½% due November 15, 1980 . . . . .	1,999,500 - 1969 to 1977	
	1,642,523 - 1978	19,638,023
5½% due March 1, 1975 . . . . .	1,250,000 - 1970 to 1974	6,625,000
5½% due April 1, 1976 . . . . .	175,000 - 1970 to 1975	1,225,000
5½% due June 1, 1976 . . . . .	200,000 - 1969 to 1975	1,600,000
5¾% due August 1, 1969 . . . . .	205,000 - 1969	205,000
5¾% due June 1, 1975 . . . . .	150,000 - 1969 to 1974	1,050,000
5¾% due April 1, 1981 . . . . .	1,875,000 - 1970 to 1980	23,125,000
6% due June 1, 1973 . . . . .	800,000 - 1969 to 1972	4,000,000
6% due March 1, 1974 . . . . .	750,000 - 1970 to 1973	3,750,000
6% due March 1, 1975 . . . . .	30,000 - 1970 to 1974	180,000
6% due November 15, 1979 . . . . .	182,500 - 1970 to 1978	1,825,000
6% due March 15, 1981 . . . . .	695,000 - 1970 to 1980	8,300,000
6½% due June 1, 1978* . . . . .	46,250 - 1970 to 1977	416,250
6¼% due September 15, 1973 . . . . .	50,000 - 1969	
	60,000 - 1970 to 1971	
	75,000 - 1972	320,000
6¼% due October 15, 1975 . . . . .	100,000 - 1969 to 1974	700,000
6¼% due March 15, 1977* . . . . .	27,750 - 1970 to 1976	222,000
6¾% due September 15, 1971 . . . . .	300,000 - 1969 to 1970	800,000
6¾% due June 1, 1978* . . . . .	46,250 - 1970 to 1977	416,250
6½% due February 15, 1970 . . . . .	50,000 - 1970	50,000
6½% due January 1, 1975 . . . . .	334,000 - 1970 to 1974	1,994,000
6½% due October 1, 1981 . . . . .	3,750,000 - 1969 to 1980	50,000,000
6¾% due March 15, 1977* . . . . .	18,500 - 1970 to 1976	148,000
6¾% due April 1, 1983 . . . . .	1,410,000 - 1971 to 1982	23,500,000
7¼% due July 1, 1982 . . . . .	420,000 - 1973 to 1981	4,200,000
7¾% due January 1, 1975 . . . . .	Various - 1970 to 1974	1,308,839
Total senior notes payable . . . . .		\$177,515,862

**SENIOR SUBORDINATED NOTES PAYABLE**

5¼% due September 1, 1979 . . . . .	50,000 - 1970 to 1978	\$ 500,000
5½% due July 1, 1980 . . . . .	390,000 - 1969 to 1978	
	335,000 - 1979	4,235,000
5½% due April 1, 1976 . . . . .	460,000 - 1970 to 1975	3,220,000
5½% due May 1, 1978 . . . . .	100,000 - 1970 to 1977	900,000
5½% due November 15, 1980 . . . . .	333,000 - 1969 to 1979	5,217,000
5¾% due January 1, 1970 . . . . .	60,000 - 1970	60,000
6% due August 1, 1969 . . . . .	127,188 - 1969	127,188
6% due March 1, 1975 . . . . .	225,000 - 1970 to 1973	
	100,000 - 1974	1,000,000
6% due April 1, 1976 . . . . .	100,000 - 1970 to 1975	700,000
6½% due June 1, 1976 . . . . .	50,000 - 1969 to 1975	400,000
6½% due August 15, 1980 . . . . .	100,000 - 1971 to 1979	1,000,000
6¼% due December 1, 1975 . . . . .	40,000 - 1970 to 1975	280,000
6¼% due March 15, 1977 . . . . .	170,000 - 1970 to 1976	1,360,000
6¾% due September 1, 1981 . . . . .	364,000 - 1969 to 1980	4,836,000
6½% due June 1, 1974 . . . . .	250,000 - 1969 to 1973	1,500,000
6½% due December 1, 1974 . . . . .	60,000 - 1970 to 1973	360,000
6½% due August 1, 1976 . . . . .	160,000 - 1969 to 1975	1,280,000
6½% due November 20, 1976 . . . . .	70,000 - 1969 to 1975	560,000
6¾% due October 15, 1975 . . . . .	35,000 - 1969 to 1974	245,000
6¾% due September 1, 1979 . . . . .	1,078,000 - 1970 to 1978	15,400,000
7% due November 15, 1979 . . . . .	35,000 - 1970 to 1978	350,000
7% due March 15, 1981 . . . . .	58,600 - 1970 to 1980	700,000
7¼% due March 15, 1981 . . . . .	95,800 - 1970 to 1980	1,150,000
Total senior subordinated notes payable . . . . .		\$ 45,380,188

**JUNIOR SUBORDINATED NOTES PAYABLE**

5½% due July 1, 1980 . . . . .	300,000 - 1969 to 1979	\$ 4,700,000
5½% due June 1, 1978 . . . . .	100,000 - 1969 to 1977	1,000,000
6% due April 1, 1976 . . . . .	280,000 - 1970 to 1975	1,960,000
6% due November 15, 1980 . . . . .	270,000 - 1969 to 1979	4,230,000
6% due June 30, 1988 . . . . .	27,500 - 1969 to 1987	550,000
6¼% due April 15, 1970 . . . . .	300,000 - 1970	150,000
6¾% due March 1, 1975 . . . . .	150,000 - 1970 to 1974	900,000
6½% due August 1, 1969 . . . . .	104,062 - 1969	104,062
6½% due December 1, 1969 . . . . .	1,200,000 - 1969	1,200,000
6½% due September 15, 1970 . . . . .	55,000 - 1969	110,000
6½% due March 15, 1975 . . . . .	30,000 - 1970 to 1974	180,000
6½% due November 1, 1975 . . . . .	20,000 - 1969 to 1974	140,000
6¾% due June 1, 1979 . . . . .	50,000 - 1970 to 1978	500,000
6¾% due March 15, 1977 . . . . .	55,000 - 1970 to 1976	440,000
7% due December 1, 1974 . . . . .	50,000 - 1970 to 1974	300,000
7% due October 15, 1975 . . . . .	15,000 - 1969 to 1974	105,000
7% due June 1, 1976 . . . . .	84,000 - 1970 to 1975	600,000
7¼% due September 1, 1979 . . . . .	1,092,000 - 1970 to 1978	15,600,000
Total junior subordinated notes payable . . . . .		\$ 32,769,062

\*Payable in Canadian funds

The long term notes are held by various banks, institutional investors, and insurance companies. The following schedule details those lenders who hold an aggregate amount of long term notes of \$500,000 or more. There are an additional 47 lenders who individually hold amounts under \$500,000.

Lender	Senior	Senior Subordinated	Junior Subordinated	Total
The Prudential Insurance Company of America . . . . .	\$ 20,986,386	\$ 8,380,000	\$ 6,850,000	\$ 36,216,386
Metropolitan Life Insurance Company . . . . .	26,655,143	—	6,375,000	33,030,143
John Hancock Mutual Life Insurance Company . . . . .	17,431,893	551,750	3,755,000	21,738,643
New York Life Insurance Company . . . . .	12,312,957	3,970,000	1,880,000	18,162,957
The Northwestern Mutual Life Insurance Company . . . . .	5,500,000	5,600,000	—	11,100,000
Investors Diversified Services . . . . .	10,545,957	—	—	10,545,957
Aetna Life & Casualty . . . . .	7,023,167	2,560,812	940,000	10,523,979
Equitable Life Assurance Society of the United States . . . . .	4,850,000	4,000,000	—	8,850,000
Connecticut General Life Insurance Company. . . . .	6,053,403	1,850,812	940,000	8,844,215
The Lincoln National Life Insurance Company. . . . .	3,742,699	1,430,000	1,675,000	6,847,699
New England Mutual Life Insurance Company. . . . .	4,079,025	2,541,626	—	6,620,651
Continental Assurance Company . . . . .	6,287,675	—	—	6,287,675
The Penn Mutual Life Insurance Company . . . . .	5,738,482	—	—	5,738,482
The Mutual Benefit Life Insurance Company . . . . .	1,151,899	2,041,750	2,450,000	5,643,649
First National Bank of Chicago, as Trustee. . . . .	5,269,000	—	—	5,269,000
Massachusetts Mutual Life Insurance Company . . . . .	2,000,000	2,980,000	—	4,980,000
Old Colony Trust Company, as Trustee (Cape Cod Shirt Co.). . . . .	3,728,223	—	550,000	4,278,223
State Mutual Life Assurance Co. of America . . . . .	525,000	2,102,188	714,062	3,341,250
The Franklin Life Insurance Company . . . . .	2,407,590	—	—	2,407,590
The Minnesota Mutual Life Insurance Company . . . . .	250,000	1,586,000	560,000	2,396,000
Phoenix Mutual Life Insurance Company . . . . .	1,602,597	470,000	—	2,072,597
Connecticut Mutual Life Insurance Company . . . . .	588,875	700,000	700,000	1,988,875
Bankers Life Company—Des Moines . . . . .	1,600,000	—	—	1,600,000
Berkshire Life Insurance Company . . . . .	1,350,000	—	—	1,350,000
The Ford Foundation . . . . .	1,308,839	—	—	1,308,839
Trustees of the Eaton Retirement Annuity Plan . . . . .	1,202,500	—	—	1,202,500
Paul Revere Life Insurance Company. . . . .	—	280,000	800,000	1,080,000
Northwestern National Life Insurance Company . . . . .	500,000	428,250	150,000	1,078,250
The George Putnam Fund of Boston . . . . .	—	—	1,050,000	1,050,000
Home Life Insurance Company. . . . .	1,030,000	—	—	1,030,000
Indianapolis Life Insurance Company . . . . .	780,658	—	250,000	1,030,658
Life & Casualty Insurance Company of Tennessee . . . . .	968,918	—	—	968,918
Peoples Life Insurance Company . . . . .	968,918	—	—	968,918
United Insurance Company of America . . . . .	962,500	—	—	962,500
National Life Insurance Company . . . . .	937,826	—	—	937,826
Sun Life Assurance Company of Canada. . . . .	937,826	—	—	937,826
Pacific Mutual Life Insurance Company. . . . .	907,591	—	—	907,591
American Mutual Life Insurance Company. . . . .	890,672	—	—	890,672
Bankers Life Insurance Company of Nebraska . . . . .	—	800,000	—	800,000
Lutheran Mutual Life Insurance Company . . . . .	762,868	—	—	762,868
State Farm Life Insurance Company . . . . .	750,000	—	—	750,000
Independent Life and Accident Insurance Company. . . . .	175,000	500,000	—	675,000
North American Life Insurance Company . . . . .	660,000	—	—	660,000
Mutual Trust Life Insurance Company . . . . .	200,000	180,000	240,000	620,000
Farm Bureau Life Insurance Company . . . . .	550,000	—	60,000	610,000
Modern Woodmen of America . . . . .	420,000	180,000	—	600,000
State Capital Life Insurance. . . . .	—	—	570,000	570,000
Standard Insurance Company . . . . .	175,000	170,000	205,000	550,000
Jefferson Standard Life Insurance Company . . . . .	525,000	—	—	525,000
Yale University (J. C. Orr & Co.) . . . . .	—	320,000	200,000	520,000
The Fidelity Mutual Life Insurance Company . . . . .	500,000	—	—	500,000
Commonwealth Life Insurance Company . . . . .	500,000	—	—	500,000
Business Men's Assurance Company of America. . . . .	250,000	250,000	—	500,000
Equitable Life Insurance Company of Iowa. . . . .	500,000	—	—	500,000
Princeton University (Heil & Co.) . . . . .	—	—	500,000	500,000
General American Life Insurance Company . . . . .	500,000	—	—	500,000
	169,544,087	43,873,188	31,414,062	244,831,337
Other Lenders . . . . .	7,971,775	1,507,000	1,355,000	10,833,775
Total . . . . .	\$177,515,862	\$ 45,380,188	\$ 32,769,062	\$255,665,112



The maturities on long term notes at May 31, 1969 are summarized as follows:

Year ending May 31	Total	Senior	Senior Subordinated	Junior Subordinated
1970	\$ 20,251,737	\$ 14,296,587	\$ 3,148,588	\$ 2,806,562
1971	22,550,803	15,847,903	4,124,400	2,578,500
1972	22,508,022	15,760,122	4,224,400	2,523,500
1973	22,336,215	15,588,315	4,224,400	2,523,500
1974	22,645,462	16,022,562	4,099,400	2,523,500
1975	20,319,750	13,796,850	3,999,400	2,523,500
1976	18,573,650	12,590,750	3,689,400	2,293,500
1977	17,210,650	12,165,750	3,054,400	1,990,500
1978	16,363,400	11,919,500	2,604,400	1,839,500
1979	15,906,423	11,562,523	2,504,400	1,839,500
1980	28,888,900	15,400,000	7,069,400	6,419,500
1981	13,592,100	8,735,000	2,169,600	2,687,500
1982	7,325,500	6,830,000	468,000	27,500
1983	7,027,500	7,000,000	—	27,500
1984 to 1989	165,000	—	—	165,000
	<u>\$255,665,112</u>	<u>\$177,515,862</u>	<u>\$45,380,188</u>	<u>\$32,769,062</u>

## LIQUIDITY

The estimated liquidation periods of the net current debt and the non-current portion of the senior long term debt, are set out below. Cash, marketable securities and wholesale receivables have been assumed to be immediately available to liquidate the debt, and the installment receivables available as they mature (as indicated on page 25).

	May 31 1969	November 30 1968
Total current liabilities . . . . .	\$381,005,039	
Deduct:		
Cash . . . . .	\$46,279,335	
Marketable securities . . . . .	2,889,616	
Wholesale receivables . . . . .	<u>58,276,513</u>	<u>107,445,464</u>
Net current debt . . . . .	273,559,575	
Estimated liquidation period . . . . .		10.2 mo. 9.5 mo.
Non-current portion of senior long term debt. . . . .	<u>163,126,775</u>	
Total . . . . .	<u>\$436,686,350</u>	
Estimated liquidation period . . . . .		19.8 mo. 18.9 mo.

## NOTE COVENANTS

Senior notes, senior subordinated notes and junior subordinated notes issued under the Note Agreements contain certain specific covenants by the Company which are summarized below:

- (1) That it will not permit adjusted consolidated net worth (as defined in the agreement) to become less than \$30,000,000.
- (2) Indebtedness:
  - (A) That senior debt of the Company cannot in the aggregate principal amount exceed 375% of the sum of—
    - (i) adjusted consolidated net worth of the Company and
    - (ii) senior subordinated debt of the Company and
    - (iii) junior subordinated debt of the Company.
 (See Item A below.)
  - (B) That senior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the sum of—
    - (i) adjusted consolidated net worth of the Company and
    - (ii) junior subordinated debt of the Company.
 (See Item B on next page.)
  - (C) That junior subordinated debt of the Company cannot in the aggregate principal amount exceed 50% of the adjusted consolidated net worth of the Company.
  - (D) That a minimum of 10% of the senior debt of the Company in the aggregate principal amount shall represent borrowings from commercial banks and trust companies under established lines of credit.

At May 31, 1969, the **ADJUSTED CONSOLIDATED NET WORTH** (as defined) was \$72,856,632 computed as follows:

Capital stock . . . . .		\$ 34,850,000	
Additional paid-in capital. . . . .		25,865,660	
Retained earnings . . . . .	\$ 31,427,341		
Less: Retained earnings of "unconsolidated subsidiary" . . . . .	45,630	31,381,711	
		92,097,371	
Minority interest			
Avco Delta Corporation Canada Limited—			
Preference shares . . . . .		3,410,746	
		95,508,117	
Investment in and advances to an "unconsolidated subsidiary" . . . . .		1,999,697	\$ 93,508,420
Deduct:			
Property and equipment . . . . .	6,202,436		
Less: Property and equipment of "unconsolidated subsidiary" . . . . .	3,385,072		
	2,817,364		
Deferred expenses (net of applicable income tax of \$364,000). . . . .	1,067,665	3,882,029	
Excess cost of investments in subsidiaries over acquired equity in net assets . . . . .		16,769,759	20,651,788
			<u>\$ 72,856,632</u>

Details of **BORROWING RATIOS** at May 31, 1969 are set out below:

### ITEM A—Senior Debt

Senior notes payable . . . . .	\$503,302,773	
Savings deposits (including savings debentures of \$460,474) . . . . .	15,671,705	<u>\$518,974,478</u>
Adjusted consolidated net worth . . . . .	72,856,632	
Senior subordinated debt . . . . .	45,380,188	
Junior subordinated debt. . . . .	32,769,062	<u>\$151,005,882</u>
Permitted percentage . . . . .		375%
Actual percentage . . . . .		343.7%

**ITEM B—Senior Subordinated Debt**

Senior subordinated notes payable . . . . .		\$ 45,380,188
Adjusted consolidated net worth . . . . .	\$ 72,856,632	
Junior subordinated debt. . . . .	<u>32,769,062</u>	<u>105,625,694</u>
Permitted percentage . . . . .		50%
Actual percentage . . . . .		43.0%

**ITEM C—Junior Subordinated Debt**

Junior subordinated notes payable . . . . .		\$ 32,769,062
Adjusted consolidated net worth . . . . .	\$ 72,856,632	
Permitted percentage . . . . .		50%
Actual percentage . . . . .		45.0%

**ITEM D—Source of Senior Debt**

Senior debt (as shown in Item A) . . . . .		\$518,974,478
Senior debt due to commercial banks and trust companies. . . . .		<u>\$117,162,500</u>
Required minimum percentage . . . . .		10%
Actual percentage . . . . .		22.6%

Compliance with other specific covenants of the notes requires that:

- (i) the aggregate amount of debt owed by Canadian consolidated subsidiaries will not exceed 15% of the total senior debt of the Company and debt of domestic consolidated subsidiaries. As at May 31, 1969, Canadian debt amounted to \$9,481,250 or only 1.8% of total senior debt.
- (ii) the aggregate amount of debt to depositors of domestic consolidated subsidiaries (other than Canadian consolidated subsidiaries) engaged in the industrial bank and thrift business will not exceed 15% of receivables of the Company and its domestic consolidated subsidiaries. As at May 31, 1969, debt to depositors amounted to \$15,211,231 or only 2.0% of total receivables.
- (iii) the aggregate amount of debt owed by domestic consolidated subsidiaries, other than debt of Canadian consolidated subsidiaries and debt to depositors of domestic consolidated subsidiaries engaged in the industrial bank and thrift business, will not exceed 10% of adjusted consolidated net worth. As at May 31, 1969 there was \$460,474 of such debt which amounted to .6% of adjusted consolidated net worth.
- (iv) the adjusted consolidated net worth shall be reduced by the amount by which accounts receiv-

able and other obligations arising from commercial financing exceed 25% of receivables. At May 31, 1969 there is no excess as these receivables amount to only 4.2% of receivables.

- (v) the aggregate amount of receivables (after deductions of applicable unearned income) representing obligations incurred for the alteration, repair, improvement or modernization of urban, suburban or rural real property or buildings thereon shall not exceed 30% of the amount (after deduction of applicable unearned income) of all receivables outstanding excluding wholesale. At May 31, 1969 these receivables amounted to only 21.2% of net receivables, as defined above.

Also set out below is a certificate submitted by the Company in compliance with the Note Agreement Item 6—Reports, etc., Sections (e) and (f).

*To the best of the knowledge of the undersigned, being a financial officer of Avco Delta Corporation:*

1. The voting stock of the Company as of May 31, 1969 was 100% owned by Avco Corporation.
2. There exists and has existed no condition which constitutes, or if not remedied might constitute, an Event of Default under the Notes.



President



**ADDITIONAL PAID-IN CAPITAL — \$25,865,660**

Details of the changes in additional paid-in capital are set out in the Consolidated Financial Statements.

**RETAINED EARNINGS — \$31,427,341**

Details in the changes in retained earnings during the year are set out in the Consolidated Financial Statements.

In the Notes the Company has covenanted not to make any stock payments (which include the payment of dividends on its capital stock, the purchase or redemption of any such stock and any distribution in respect of such stock) other than any such payments which may be payable solely in stock of the Company unless immediately thereafter and after giving effect to the stock payment in question the aggregate amount of such stock payments made during the period subsequent to November 30, 1966 will not exceed the sum of the total consolidated net earnings of the Company and its subsidiaries during

such period after deduction of all dividends on present preferred stock of Avco Delta Corporation Canada Limited provided, however, that at the time of and after giving effect to each such stock payment, the Company must be in compliance with the debt ratios prescribed in the Note Agreement without including in Adjusted Consolidated Net Worth any minority interest represented by present preferred stock of Avco Delta Corporation Canada Limited.

As at May 31, 1969, approximately \$3,900,000 of Avco Delta's retained earnings was not restricted with respect to stock payments in accordance with the proviso above.

The Note covenants permit the Company to pay regular dividends on preferred stock which may be outstanding and to purchase, redeem or retire preferred stock to the extent required by applicable mandatory sinking funds. Any such dividends, purchase redemption or retirement must be deducted in the computation of any amount permitted to be paid or distributed in respect of other stock payments.



# ROBERT MORRIS QUESTIONNAIRES

SECTION 3



DELTA  
CORPORATION





## SALES FINANCE COMPANY QUESTIONNAIRE

NOTE: In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation

750 Third Avenue, New York, New York 10017

Submitted as of July 31, 1969 covering the period from November 30, 1968 to May 31, 1969

1. If Direct Cash Lending or Commercial Financing operations are engaged in, complete the separate Direct Cash Lending Questionnaire (R.M.A. Form No. C 120-Rev. '66) and/or Commercial Financing Questionnaire (R.M.A. Form No. C 121 Rev.), eliminating duplicate schedules.
2. In schedules C, D, G, H, & L submit, as a minimum, separate information for each class of receivable which represents 10% or more of total consumer retail notes and contracts outstanding and for any other class or classes of receivables which are significant in your portfolio.
3. Does this report include operations of subsidiary or affiliated companies? Yes. If so, list below the names of any subsidiary or affiliate which has been financed other than by advances from the reporting company, the outstanding capital and percentage of ownership of each and amount and description of outside financing. None
4. Is any financing done for concerns in which officers, stockholders, directors of company or their families have a direct or beneficial interest? If so, give details.
  1. Financing of furniture and fixtures for Commonwealth Holiday Inns of Canada Limited in the amount of \$2,027,275 at rates of 11% and 12% per annum repayable in varying installments to October, 1973.
  2. Financing in the ordinary course of business and at competitive market rates of a capital loan in the amount of \$62,530. Loan is secured by a second mortgage and guarantees.

**SCHEDULE A**

**VOLUME OF BUSINESS FOR THE PERIOD AND OUTSTANDINGS AT END OF PERIOD:**

(Under Consumer Retail Notes and Contracts if the classification "OTHER" represents 10% or more of total Consumer Retail Notes and Contracts outstanding, please detail.)

1. CONSUMER RETAIL NOTES AND CONTRACTS	VOLUME	OUTSTANDINGS END OF PERIOD
Automobile New (From Dealers)	12,875,590	24,935,444
Automobile Used (From Dealers)	5,896,989	10,179,632
*Automobile New (Direct)	--	--
*Automobile Used (Direct)	--	--
Appliances and Furniture	321,724	256,350
Mobile Homes New	5,634,812	14,268,432
Mobile Homes Used		
Real Property	21,894,623	48,459,192
Home Improvement	38,113,974	139,459,397
Other Farm Equipment	8,985,356	26,863,857
Machinery and Equipment	15,502,075	34,295,412
Other	5,488,934	10,907,141
Bulk Purchases	--	XXXXX
TOTALS	114,714,077	309,624,857
2. WHOLESALE	56,569,504**	56,898,583**
3. DIRECT CASH LOANS	--	--
4. COMMERCIAL LENDING AND MISCELLANEOUS FINANCING	7,246	1,540,132
TOTAL - ALL CLASSIFICATIONS	171,290,827	368,063,572

\*This category should be limited to Direct Loans for automobile purchases. If these are included in Direct Cash Loans, please indicate. Do not include in both places.

\*\*These figures do not include wholesale volume of \$2,509,219 and wholesale outstandings of \$1,377,930 for divisions included in the Direct Cash Lending Questionnaire.

SCHEDULE B – RESERVE FOR LOSSES RECONCILIATION – (excluding dealers participating reserves).

BALANCE BEGINNING OF PERIOD	6,037,987
ADDITIONS:	
Appropriations From Surplus	
Appropriations From Income	1,868,518
Appropriations From Deferred Income or Finance Charges	
Recoveries	306,075
Other Credits (Detail)	
TOTAL ADDITIONS	2,174,593
DEDUCTIONS:	
Losses Charged Off	2,011,275
Transferred to Other Reserves (Specify)	
Transferred to Income	
Other Charges (Detail)	
<u>Reduction of reserve re sale of</u> <u>receivables to a direct loan subsidiary - See</u> <u>Schedule F of Direct Cash Lending Questionnaire</u>	338,315
TOTAL DEDUCTIONS	2,349,590
BALANCE END OF PERIOD	5,862,990

1. Indicate how provision for and balance of Reserve for Losses is determined. For example: Percentage of Volume, Percentage of Outstandings, Flat Allocation from Income, etc.

A percentage of outstandings is maintained. See Page 29 for details.

2. Indicate any portion of this reserve which is tax paid.

No portion is tax paid



**SCHEDULE C – LOSS EXPERIENCE FOR PERIOD (Continued on page 46 )**

Any class of receivables which accounts for 10% or more of Consumer Retail Notes and Contracts Outstanding or which is significant in your portfolio should be detailed separately. All others may be included in one column. Add additional columns if necessary.

	WHOLESALE	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	CAPITAL EQUIPMENT	HOME IMPROVEMENT
Outstanding beginning of period	11,411,682	39,619,412	33,145,402	174,272,146
Volume for period	29,817,721	18,772,579	15,502,075	49,269,609
Notes Purchased (Bulk-Face Amt.)	--	--	--	--
1. TOTAL	41,229,403	58,391,991	48,647,477	223,541,755
LESS:				
Outstanding end of period	11,457,675	35,115,076	34,295,412	171,075,397
Notes Sold *** (Bulk-Face Amt.)	--	--	--	16,915,750
Notes Charged Off*	27,750	200,752	122,087	1,347,004
2. TOTAL	11,485,425	35,315,828	34,417,499	189,338,151
3. Liquidation 1. minus 2.	29,743,978	23,076,163	14,229,978	34,203,604
Notes Charged Off*	27,750	200,752	122,087	1,347,004
Less-Recoveries	--	113,216	11,774	174,132
4. Net Losses	27,750	87,536	110,313	1,172,872
% Net Losses to Liquidation 4. divided by 3.	XXX	.38%	.78%	3.43%
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	.48%	XXX	XXX	XXX

\*For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

Indicate amount of claims against Bonding Companies which are carried as Assets.

\$ Nil

\*\*Wholesale automobile contains a small amount of mobile home paper and other collateral.

\*\*\*Represents Home Improvement receivables sold to one of the Loan Divisions.

SCHEDULE C -- LOSS EXPERIENCE FOR PERIOD -- Continued.

	WHOLESALE FARM EQUIPMENT	CONSUMER RETAIL NOTES and CONTRACTS		
		AUTOMOBILE	FARM EQUIPMENT	OTHER RETAIL
Outstanding beginning of period	33,616,202		28,747,938	31,145,620
Volume for period	26,751,783		8,985,356	22,191,704
Notes Purchased (Bulk-Face Amt.)	--		--	--
1. TOTAL	60,367,985		37,733,294	53,337,324
LESS				
Outstanding end of period	45,440,908		26,863,857	43,815,247
Notes Sold (Bulk-Face Amt.)	--		--	--
Notes Charged Off*	--		308,933	4,749
2. TOTAL	45,440,908		27,172,790	43,819,996
3. Liquidation				
1. minus 2.	14,927,077		10,560,504	9,517,328
Notes Charged Off*	--		308,933	4,749
Less-Recoveries	--		6,953	--
4. Net Losses	--		301,980	4,749
% Net Losses to Liquidation				
4. divided by 3.	XXX		2.86%	.05%
% Net Losses to Mo. Av. Outstanding (On Annual Basis)	--	XXXX	XXX	XXX

\*For purposes of this schedule, Notes Charged Off should be computed if possible Net of Unearned Charges. If gross figures are used, please indicate.

SCHEDULE C – Continued

CHARGE OFF POLICY

1. Discuss in detail, your charge off policy for each class of receivable. Include in this but do not limit to:
  - a. After what period of delinquency is an account charged off?
  - b. How often are charge offs made? Monthly X, Quarterly \_\_\_\_\_, Semi-annually \_\_\_\_\_, Annually \_\_\_\_\_, If other, explain. Charge offs are made regardless of the state of delinquency at the time the account is deemed to be uncollectible. In general, this is on a monthly basis.
2. What is your charge off policy on:
  - a. Deficiency balances Charged off immediately
  - b. Judgment accounts Charged off immediately
  - c. Bankruptcy accounts other than Chapter XIII ) In all divisions except home improvement and capital equipment, these accounts are charged
  - d. Chapter XIII Bankruptcy accounts ) off immediately.

What is the amount of all of the above carried as current assets \$ 907,181\*

\*All these accounts are in our home improvement and capital equipment divisions. These are  
written down to appraised value.

SCHEDULE D – DEALERS RESERVES

1. Dealers which have Reserve Debit Balances not charged off: Not material in amount.  
Number \_\_\_\_\_ Amount \$ \_\_\_\_\_
2. How frequently are Dealer Reserve Debit Balances charged off?
3. Dealer Reserve Debit Balances charged off during period: Debit balances are charged against income and they are negligible in amount.  
Number \_\_\_\_\_ Amount \$ \_\_\_\_\_  
To what accounts are such balances charged?



# SCHEDULE E – BORROWINGS

NOTE: Attach schedule showing available Bank Lines at statement date and name of Broker handling sale of Open Market Paper.

	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
**Bank Loans under lines of credit	Unsecured	128,945,000	87,582,500	117,162,500
** Open Market Borrowings	Unsecured	217,559,250	152,566,750	209,933,250
**Other Current Loans				
Maturities of unsubordinated term debt due within one year	Unsecured	XXXX	XXXX	14,389,087
Maturities of subordinated term debt due within one year	Unsecured	XXXX	XXXX	5,955,150
Long term debt – not subordinated	Unsecured	166,281,936	163,126,775	163,126,775
Long term debt – subordinated	Unsecured	74,124,100	72,194,100	72,194,100

\* As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked \*\* above)

\$ 327,095,750 Date May 31, 1969

Have any receivables been sold (with or without recourse) during period? Specify amount and furnish details. No.

State policy regarding coverage of open market borrowings by unused bank lines. Policy is to have coverage of 100%.

Are any borrowings endorsed or guaranteed? Give details and amount. No.

Are any bank lines available for use directly by subsidiaries, affiliated companies or parent company. Yes.

Four Canadian Bank lines are available to Avco Delta Corporation Canada Limited.

(See Page 49)

# AUTHORIZED BANK LINES

AS OF MAY 31, 1969

U. S. BANKS	LINE	U. S. BANKS	LINE
Morgan Guaranty Trust Company of New York . . . . .	19,000,000	Winters National Bank & Trust—Dayton . . . . .	750,000
The Chase Manhattan Bank, N.A. . . . .	17,000,000	County National Bank—Middletown, New York . . . . .	750,000
Manufacturers Hanover Trust Company . . . . .	17,000,000	United States National—Omaha . . . . .	700,000
First National City Bank . . . . .	17,000,000	Bankers Trust Company—Des Moines . . . . .	600,000
Bankers Trust Company . . . . .	15,000,000	First National—St. Petersburg . . . . .	500,000
Mellon National Bank and Trust Company . . . . .	12,000,000	First—City National—Binghamton . . . . .	500,000
First National Bank of Chicago . . . . .	10,000,000	New England Merchants—Boston . . . . .	500,000
Continental Illinois Nat'l Bank & Trust Co. . . . .	10,000,000	Davenport Bank & Trust Co. . . . .	500,000
Chemical Bank New York Trust Company . . . . .	9,500,000	The Boatman's National Bank . . . . .	500,000
Irving Trust Company . . . . .	8,000,000	Mechanics National Bank—Worcester . . . . .	500,000
National Bank of Detroit . . . . .	7,000,000	Fulton National Bank—Atlanta . . . . .	500,000
Cleveland Trust Company . . . . .	6,000,000	Bank of Commerce . . . . .	500,000
First National Bank of Boston . . . . .	6,000,000	Hempstead Bank . . . . .	500,000
Bank of America, N.T. & S.A. . . . .	5,000,000	Union Planters National Bank of Memphis . . . . .	500,000
Crocker—Citizens National Bank . . . . .	5,000,000	National Bank of Commerce in Memphis . . . . .	500,000
United California Bank . . . . .	5,000,000	Upper Avenue National Bank—Chicago . . . . .	500,000
Philadelphia National Bank . . . . .	5,000,000	National Bank of Des Moines . . . . .	500,000
Marine Midland Trust Co., of Western N. Y. . . . .	4,000,000	Merchants National Bank—Syracuse . . . . .	500,000
Schroder Trust Company . . . . .	4,000,000	Hamilton National Bank—Chattanooga . . . . .	400,000
Detroit Bank and Trust . . . . .	3,000,000	Hamilton National Bank—Knoxville . . . . .	400,000
French American Banking Corp. . . . .	3,000,000	Mohawk National Bank . . . . .	400,000
Bank of the Commonwealth—Detroit . . . . .	3,000,000	Guaranty Bank & Trust—Denver . . . . .	390,000
American Express International Banking Corp. . . . .	3,000,000	Douglas County Bank of Omaha . . . . .	375,000
Lincoln Rochester Trust Company . . . . .	3,000,000	Rock Island Bank & Trust Company . . . . .	350,000
Manufacturers and Traders—Buffalo . . . . .	3,000,000	First National Bank—Sioux City . . . . .	300,000
First American National—Nashville . . . . .	2,500,000	North Shore National Bank—Chicago . . . . .	300,000
State Street Bank and Trust . . . . .	2,500,000	First National Bank of St. Joseph . . . . .	300,000
Central National Bank of Cleveland . . . . .	2,000,000	Monroe State Savings Bank . . . . .	300,000
First National Bank & Trust—Oklahoma City . . . . .	2,000,000	Waterbury National Bank . . . . .	300,000
Union Commerce Bank—Cleveland . . . . .	2,000,000	American National Bank—St. Joseph . . . . .	250,000
Western Pennsylvania National Bank . . . . .	2,000,000	Rhode Island Hospital Trust . . . . .	250,000
Bank of Tokyo Trust Company . . . . .	2,000,000	Exchange National Bank—Atchison . . . . .	250,000
National Shawmut Bank of Boston . . . . .	2,000,000	United States National Bank of Oregon . . . . .	250,000
Franklin National Bank . . . . .	2,000,000	Mercantile Trust Company—St. Louis . . . . .	250,000
The First National Bank of Denver . . . . .	1,500,000	Pennsylvania National Bank & Trust . . . . .	250,000
Pittsburgh National Bank . . . . .	1,500,000	Lincoln National Bank—Chicago . . . . .	250,000
Manufacturers National Bank of Detroit . . . . .	1,500,000	Maine National Bank . . . . .	200,000
United States Trust Company of New York . . . . .	1,500,000	National Bank of Austin—Chicago . . . . .	200,000
Connecticut National Bank—Bridgeport . . . . .	1,500,000	Indian Head National Bank . . . . .	200,000
Marine Midland Grace Trust Co. of N.Y. . . . .	1,500,000	Brookline Trust Company . . . . .	200,000
Worcester County National Bank . . . . .	1,500,000	Proctor Trust Company . . . . .	200,000
State Bank of Albany . . . . .	1,500,000	Wilmette State Bank . . . . .	200,000
First National Bank of Atlanta . . . . .	1,100,000	Merchants National Bank of Manchester . . . . .	200,000
First National Bank of Saint Paul . . . . .	1,000,000	Bank of Buffalo . . . . .	200,000
American National Bank of Denver . . . . .	1,000,000	National Bank of Tulsa . . . . .	200,000
The Central Trust Company—Cincinnati . . . . .	1,000,000	North Side Bank—Omaha . . . . .	200,000
City Trust Company—Bridgeport . . . . .	1,000,000	First National Bank of Dubuque . . . . .	200,000
Colorado National Bank of Denver . . . . .	1,000,000	First National Bank of Orlando . . . . .	200,000
First National Bank of Cincinnati . . . . .	1,000,000	Fidelity State Bank—Topeka . . . . .	180,000
The Fifth Third Union Trust Co. . . . .	1,000,000	City National Bank—Hastings . . . . .	175,000
Southern Arizona Bank and Trust . . . . .	1,000,000	The Second National Bank of Richmond . . . . .	150,000
La Salle National Bank—Chicago . . . . .	1,000,000	First National Bank of Columbus, Ga. . . . .	150,000
Seattle First National Bank . . . . .	1,000,000	First National Bank of Fort Dodge . . . . .	150,000
Guaranty Bank and Trust—Worcester . . . . .	1,000,000	First National Bank of Danville . . . . .	150,000
First National Bank in Dallas . . . . .	1,000,000	Fremont National Bank . . . . .	140,000
State National Bank of Connecticut . . . . .	1,000,000	Council Bluffs Savings Bank . . . . .	100,000
Hartford National Bank . . . . .	1,000,000	Chittenden Trust Company . . . . .	100,000
Industrial National Bank of Rhode Island . . . . .	1,000,000	First National Bank in Wichita . . . . .	100,000
The First Pennsylvania Banking & Trust Co. . . . .	1,000,000	Harvard Trust Company . . . . .	100,000
Frost National Bank—San Antonio . . . . .	1,000,000	Stock Yards National Bank . . . . .	100,000
Third National Bank in Nashville . . . . .	1,000,000	The Commercial National Bank of Little Rock . . . . .	100,000
First National Bank of Arizona . . . . .	1,000,000	City National Bank—Kansas City . . . . .	100,000
American Fletcher National Bank & Trust Co. . . . .	1,000,000	Hamilton National Bank—Morristown . . . . .	100,000
Southern California First National Bank . . . . .	1,000,000	Northwestern National Bank of Sioux City . . . . .	100,000
Society National Bank—Cleveland . . . . .	1,000,000	First Security Trust & Savings—Chicago . . . . .	100,000
First National Bank of South Carolina . . . . .	1,000,000	Bank of Fulton County . . . . .	100,000
National City Bank of Cleveland . . . . .	1,000,000	Seaway National Bank—Chicago . . . . .	75,000
Indiana National Bank—Indianapolis . . . . .	1,000,000	Bank of Smyrna . . . . .	70,000
The Miami Beach First National Bank . . . . .	1,000,000	Boone State Bank & Trust Company . . . . .	50,000
City National Bank of Detroit . . . . .	1,000,000		
First National State Bank of New Jersey . . . . .	1,000,000	U. S. Total . . . . .	\$288,055,000
Fidelity Bank—Philadelphia . . . . .	1,000,000		
National Bank of Commerce . . . . .	1,000,000	CANADIAN BANKS (in U.S. Dollars)	
Kings County Lafayette Trust Company . . . . .	1,000,000	Avco Delta Corporation Canada Limited	
First National Bank of Cincinnati . . . . .	1,000,000	The Toronto Dominion Bank . . . . .	4,625,000
Pioneer Trust & Savings Bank . . . . .	1,000,000	Bank of Montreal . . . . .	925,000
Security National Bank—Huntington . . . . .	1,000,000	Mercantile Bank of Canada . . . . .	925,000
Newton-Waltham Bank & Trust . . . . .	1,000,000	Canadian Imperial Bank of Commerce . . . . .	925,000
Northern City National Bank . . . . .	800,000		
The Connecticut Bank and Trust Company . . . . .	750,000	Grand Total . . . . .	\$295,455,000
National Boulevard Bank of Chicago . . . . .	750,000		

SCHEDULE F – MONTHLY MATURITIES OF INSTALMENT RECEIVABLES OUTSTANDING AT STATEMENT DATE

MONTH GROUPINGS	TOTAL INSTALMENT RECEIVABLES	CONSUMER RETAIL NOTES AND CONTRACTS	DIRECT CASH LOANS			OTHER INSTALMENT LOANS *
			PRECOMPUTED & DISCOUNT BASIS	INTEREST BEARING		
				PRINCIPAL	INTEREST	
Past Due	2,149,138	508,617				1,640,521
1-6	157,016,646	60,692,631				96,324,015
7-9	68,661,674	25,992,816				42,668,858
10-12	63,853,659	24,305,435				39,548,224
13-15	53,481,171	20,549,003				32,932,168
16-18	59,543,502	23,443,094				36,100,408
19-24	90,951,224	37,113,047				53,838,177
25-36	112,155,731	54,194,153				57,961,578
37-48	44,859,206	32,871,388				11,987,818
49-60	23,259,284	21,514,344				1,744,940
Over 60	10,661,456	9,980,461				680,995
TOTALS	686,592,691	311,164,989				375,427,702

NOTE: Totals above (excluding INTEREST column) should agree with respective totals in balance sheet.

\*Pertains to Direct Cash Lending Questionnaire

Please indicate amount of non-instalment receivables in portfolio.

\$ Nil

SCHEDULE G – DEFERRED INCOME – See Schedule D of the Direct Cash Lending Questionnaire.

Answers to the following questions should be furnished on a separate page titled "Schedule G."

For the purpose of this schedule, the term finance charge shall be defined as: "The difference between the face amount of a contract and the related amount advanced by the finance company (including, as part of this advance, insurance premiums and dealers' reserves)."

1. Is any portion of the finance charge taken into income when the contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and type of business for each basis.
2. Is any portion of the original finance charge transferred to accounts other than income or deferred income? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.
3. Is any portion of insurance premium taken into income as commission or otherwise when contracts are purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each.



## SCHEDULE G – Continued

For the following questions, please indicate whether the deferred income is accounted for separately by class of receivable or in the aggregate for all receivables.

- 4.a. What are basic methods used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Are procedures applied on an accrual or collection basis?
- b. If sum of digits or straight line methods are used, are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.
- c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?
5. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of accounts, are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.
6. Are extension fees, late charges, etc. handled on an accrual basis or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis, are the charges rescheduled to reflect extensions?

### CONSUMER RETAIL NOTES AND CONTRACTS

(Schedule A, Category 1)

#### A. Total Finance charges on new contracts acquired and loans made during period

1. Dollar amount credited to deferred income
2. Dollar amount taken directly into income or credited to other accounts

#### B. Face amount of related receivables acquired

RETAIL AUTOMOTIVE	CAPITAL EQUIPMENT	HOME IMPROVE- MENT	FARM EQUIPMENT	DIRECT MORTGAGES
5,419,457	2,334,102	12,893,579	1,159,265	6,691,467
4,698,201	2,167,874	10,959,542	1,159,265	5,992,981
721,255	166,228	1,934,037	--	698,486
30,218,049	15,502,075	42,113,974	8,985,356	17,894,623

**SCHEDULE H – ANALYSIS OF CONSUMER RETAIL NOTE AND CONTRACT VOLUME FOR THE PERIOD –  
PURCHASED AND DIRECT (Excluding Demonstrators) (000 omitted)**

**1. AUTOMOBILES**

**NEW UNITS – Cash advanced as a percentage of dealer cost\***

	36 MOS. OR LESS	OVER 36 MOS.	BALLOON PAPER	TOTALS
100% or Less	5,950	2,426	1,302	9,678
101 – 110%	1,356	823	32	2,211
Over 110%	67	7	5	79
<b>TOTALS</b>	<b>7,373</b>	<b>3,256</b>	<b>1,339</b>	<b>11,968</b>

**USED UNITS – (Late model, current and two preceding years) Cash advanced as a percentage of used car guide  
wholesale value\*\***

	30 MOS. OR LESS	OVER 30 MOS.	BALLOON PAPER	TOTALS
100% or Less	1,073	1,374	23	2,470
101 – 110%	277	658	12	947
111 – 120%	20	43	--	63
Over 120%	22	80	8	110
<b>TOTALS</b>	<b>1,392</b>	<b>2,155</b>	<b>43</b>	<b>3,590</b>

**USED UNITS – (Older models than above) Cash advanced as a percentage of used car guide wholesale value\*\***

	24 MOS. OR LESS	OVER 24 MOS.	BALLOON PAPER	TOTALS
100% or Less	1,400	--	11	1,411
101 – 110%	598	--	10	608
111 – 120%	87	--	7	94
Over 120%	187	--	6	193
<b>TOTALS</b>	<b>2,272</b>	<b>--</b>	<b>34</b>	<b>2,306</b>

\*Dealer cost may include invoice plus applicable freight charges, taxes and license fees. Cash advanced must exclude finance and insurance charges.

\*\* Please state reference book or books used.

Canadian Red Book - (National Automotive Publishers Limited)  
Also Canadian Black Book - (National Auto Research Canada)

SCHEDULE H – Continued

2. MOBILE HOMES Information not available

Prepare a schedule similar to the automobile schedule showing the following information as to New and Used separately.

Advances – For new only: 100% or less, 101% – 110% and Over 110%

Terms: New – 1-60 months, 61-84 months, and Over 84 months.

Used – 1-60 months and Over 60 months.

3. OTHER CLASSES

Similar information on terms (not advances) should be submitted with respect to each class of retail notes and contracts outstanding which constitutes 10% or more of total retail notes and contracts outstanding. Terms used should be typical for each class of receivable.

NOTE: In preparing the schedules in this section, it is understood that a delayed first payment of 50 days or less will not be considered an extra month in determining terms.

SCHEDULE I – WHOLESALE:

1. ANALYSIS OF WHOLESALE LOANS TO DEALERS

Classification	WHOLESALE		
	MAXIMUM OUTSTANDING AT ANY MONTH END DURING PERIOD	AMOUNT OUTSTANDING AT STATEMENT DATE	AMOUNT OUTSTANDING* 6 MONTHS OR OVER
Automobile – New	8,937,066	8,260,030	1,570,030
Automobile – Used	730,143	730,143	24,046
Mobile Home – New	2,435,915	2,020,959	54,288
Mobile Home – Used	138,421	42,242	--
Other – Detail	1,381,068	1,381,068	--
Farm Equipment	45,440,908	45,440,908	--
Capital Equipment	546,675	401,163	159,100
TOTALS	XXX	58,276,513	1,807,464

\* From Date of Original advance.



SCHEDULE I – Continued

2. DEALER WHOLESALE CONCENTRATIONS:

List five largest dealer wholesale concentrations at STATEMENT DATE. Indicate any capital loans to these dealers, but do not include capital loans in determining concentrations.

NOTE: If the same dealer appears in Schedules I, J and/or K, the same letter designation should be used for each dealer in all schedules.

DEALER – Identify by Letter and type of business		Wholesale Outstanding		Wholesale Outstanding Over 6 Mos.	Capital Loans
		End of Period	Maximum at any Month End During Period		
A	Mobile home	1,218,912	1,219,150	--	--
B	Automobile	1,079,939	1,284,825	211,516	64,599
C	Automobile	667,184	681,725	104,545	--
D	Automobile	640,823	753,875	148,077	--
E	Automobile	497,387	597,550	137,998	--
TOTALS		4,104,245	XXX	602,136	64,599

SCHEDULE J – CAPITAL LOANS TO DEALERS

Number 17 Amount \$ 1,540,131

Itemize five largest capital loans to dealers showing type of dealer, amount, description of collateral and program for liquidation of each.

- F - \$354,580 - Promissory note, debentures, insurance loan - 229 payments at \$1,542 and one for the balance.
- G - \$227,286 - Promissory note, guarantees, debenture, second mortgage - 29 payments at \$2,346 and one for the balance.
- H - \$198,703 - Promissory note, assignment of agreement of sale, assignment of fire insurance, mortgage - 29 payments at \$3,189 and one for the balance.
- I - \$168,350 - First mortgage, assignment of life and fire insurance - 29 payments at \$925 and one for the balance.
- J - \$138,750 - Promissory note, guarantees, second mortgage, assignment of fire insurance - 1 payment at \$138,750.

# SCHEDULE K – DEALER RETAIL CONCENTRATIONS

List five largest dealer retail concentrations based on outstandings at statement date.

DEALER – Identify by Letter and type of business		Volume Purchased During Period	Outstanding at Statement Date	Balances * Past Due 60 Days or more	Dealer Reserve Held	Repurchase Recourse or Non-Recourse
A	Mobile Home	1,922,150	5,454,720	--	174,623	Rec.
L	Home Improvement	660,070	3,826,000	91,824	1,835	NR
M	Home Improvement	698,781	3,642,000	138,396	1,945	NR
K	Capital Equipment	2,438,300	3,067,689	11,840	18	Rec. & NR
K	Home Improvement	1,247,473	2,843,000	14,215	2,207	NR
TOTALS		6,966,774	18,833,409	256,275	180,628	

\*Unpaid balances of accounts with instalments past due 60 days or more on same basis as shown in Schedule L.

## SCHEDULE L – ANALYSIS OF ACCOUNTS WITH INSTALMENTS PAST DUE 60 DAYS OR MORE FROM DUE DATE. (Based on terms in effect at statement date)

If Automobile – Direct is not shown below include in Direct Cash Lending Questionnaire (R.M.A. Form No. C 120 Rev. 66)

CONSUMER RETAIL NOTES AND CONTRACTS	BALANCES	% of Related Receivables Outstanding
Automobile – Dealer	71,133	.11
Automobile – Direct		
Home Improvement	3,713,105	2.18
Farm Equipment	843,673	3.14
Capital Equipment	833,287	2.43
TOTAL	5,461,198	1.86

NOTE: See Item 2 – Page 1.

- Total balances of accounts extended, revised or rewritten during the period, without change of obligor, based on gross balances at the time of extension, revision or rewrite.

Extensions and Revisions      \$ 14,862,537

Rewrites      \$ Information not available

SCHEDULE L – Continued

2. Define rewrite as the term is used in your company.  
Refinancing that changes the terms of the original contract.
3. Define extension and revision as the terms are used in your company.  
An extension is the deferment of an installment payment to the end of a contract.
4. State your policies as to extensions, revisions and rewrites including but not limiting to:
  - (a) The number of full payments required before a contract can be extended, revised or rewritten.  
Generally 6 payments.
  - (b) The number of extensions, revisions or rewrites permitted during the life of a contract.  
One per 6 months.
  - (c) At what level of management are extensions, revisions or rewrites granted or approved.  
On the basis of the approval required for the original contract.
5. What portion of a full payment must be received for an account to be considered current?  
75% of a full payment providing that only one payment is delinquent.  
How many full payments or what portion of a full payment must be received for the purpose of taking an account off the delinquent list? All of the previous past due payments including at least 75% of the most recent delinquent payment.
6. If any receivables were purchased in bulk during the period, were these receivables considered as current at the time of purchase or are such accounts aged and recorded above according to their actual degree of delinquency?  
All receivables purchased were recorded according to their actual degree of delinquency.

SCHEDULE M – RETAIL REPOSSESSIONS

COMPANY OWNED REPOSSESSIONS	INVENTORY AT PREVIOUS YEAR END		REPOSSESSED DURING THE PERIOD		INVENTORY STATEMENT DATE	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
Automobiles	31	59,794	404	663,163	52	121,559
Properties Held For Sale	37	779,760	10	67,550	22	907,181
Machinery and Equipment	4	61,897	7	149,480	4	60,680
Farm Equipment	34	149,677	92	452,000	37	174,000
Automobiles						
Mobile Homes						
Other						
TOTAL	106	1,051,128	513	1,332,193	115	1,263,420

On what basis are repossessions valued? At approximate market value.



SCHEDULE N -

Attach auditors certificate of compliance with restrictive covenants contained in your long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

What is your Fidelity Bond coverage? Brokers blanket bond - limit \$1,000,000 each loss.

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The foregoing information, supplementing our financial statement of May 31, 1969  
prepared by the company, is submitted for the purpose of obtaining credit.

Avco Delta Corporation

(Name of Company)

By 

H. P. Paterno (Title)  
President

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.



## DIRECT CASH LENDING QUESTIONNAIRE

This questionnaire applies to companies engaged principally in making cash loans, generally under Small Loan Acts or similar regulatory laws. Provision has been made in the schedules below for some information regarding non-cash lending operations but if this amounts to a substantial part of your volume, the separate questionnaire for Sales Finance Companies or Commercial Financing Companies should be used in conjunction with this questionnaire. In submitting this questionnaire with financial statements, please ascertain that identical terminology is used and that all figures in each are in agreement. Figures in schedules should be stated to the nearest dollar. If the information requested is already included in an audit report, it need not be duplicated herein.

Name and Address of Company Avco Delta Corporation

Submitted as of Jul. 31, 1969 covering the period from December 1, 1968 to May 31, 1969.

Does this report include operations of subsidiary or affiliated companies? Yes. If so, please list below the names of any subsidiary or affiliate which has been financed *other* than by advances from the reporting company, the outstanding capital and percentage of ownership of each and the amount and description of outside financing.

Nil

SCHEDULE A (In schedules A, B and C, indicate whether volume is reported on a net or gross basis. Use the same basis for all three schedules.) Gross basis.

### ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD BY MATURITY CLASS

	Number of Loans	Volume	Average Amount Per Loan
Loans written for 1 to 25 months	81,530	35,944,805	441
26 to 37 months	92,996	104,957,451	1,129
38 to 48 months	22,238	67,055,667	3,015
49 to 60 months	166	1,005,521	6,057
more than 60 months	272	2,521,895	9,272
Total Direct Cash Loans	197,202	211,485,339	1,072

Volume of loans written with a balloon payment, \$ 1,210,818

SCHEDULE B

ANALYSIS OF TOTAL VOLUME FOR THE PERIOD – BY PRINCIPAL TYPES OF SECURITY.

	VOLUME		GROSS OUTSTANDINGS
	Number of Loans	\$ Amount	X X X
<u>DIRECT CASH LOANS</u>			
Real estate with or without other security.	183	482,572	X X X
Chattel mortgage on auto, household goods, and/or other security.	148,795	191,047,139	X X X
Unsecured except by co-maker or wage assignment	1,124	764,423	X X X
Unsecured (either single name or husband and wife)	47,100	19,191,205	X X X
Sub-total – Direct Cash Loans	197,202	211,485,339	307,998,558
<u>OTHER PAPER PURCHASED</u> (Describe major classes)			
Retail Contracts			
a. Conditional Sales	105,011	40,465,324	52,985,795
b. Home improvement paper acquired from the Home Improvement Division			14,443,349
c. Other (Describe)			
Sub-Total – Other Paper Purchased	105,011	40,465,324	67,429,144
<u>BULK PURCHASES</u>			
a. Direct Cash Loans	3,286	2,296,614	Include in “Sub-total Direct Cash Loans” above.
b. Other Paper	3,473	546,241	Include in “Sub-total Other Paper Purchased” above.
Sub-Total – Bulk Purchases	6,759	2,842,855	X X X
GRAND TOTAL – All Classifications	308,972	254,793,518	375,427,702



SCHEDULE C

ANALYSIS OF DIRECT CASH LOAN VOLUME FOR THE PERIOD – BY TYPE OF BORROWER

	Number	Old Balances Renewed	New Money	Total
1. Loans to new borrowers	58,166	X X X X X	51,641,422	51,641,422
2. Loans to former borrowers	21,135	X X X X X	15,131,076	15,131,076
3. Loans to present borrowers	117,901	72,532,541	72,180,300	144,712,841
Totals	197,202	72,532,541	138,952,798	211,485,339

Note: Grand total in fourth column should agree with Direct Cash Loans in Schedule A and Direct Cash Loans sub-total in Schedule B.

Included under Number 3 above were 6621 loans (number of loans) to present borrowers where the amount of the loan, after deducting both finance charges and insurance charges, did not exceed the old balance renewed by more than 10%. For the purpose of compiling this statistic, the amount of each "Old Balance Renewed" is the unpaid balance owed at the time of refinancing minus all refunds of finance and insurance charges. (Those lenders reporting volume on a gross basis will report old balances on line 3 in the table above "gross", even though this supplementary statistic requires using "net" old balance figures.)

## SCHEDULE D – DEFERRED INCOME

Answers to the following questions should be furnished on a separate page entitled “Schedule D.”

1. Is any portion of refundable finance charges (interest and/or fees) taken into income as acquisition charges when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.
2. Is any portion of non-refundable initial finance charges, where authorized, deferred? If answer is Yes, describe the exact basis for determining the portions deferred, and the method of taking such deferred portions into income.
3. Is any portion of finance charges transferred to accounts other than income, or deferred income, or dealer reserves? If answer is Yes, describe the accounts credited (such as loss reserves, or direct offsets to expenses) and the basis on which the amounts are transferred.
4. Is any portion of refundable insurance charges taken into income as acquisition charges or commissions when loans are made or contracts purchased? If answer is Yes, describe the exact basis for determining the portions taken directly into income, and if more than one basis is used, describe each basis and show states and type of business for each basis.

Answers to questions 5 through 7 should be separated as to “Direct Cash Loans” and “Other Paper Purchased.” If any class of “Other Paper Purchased” constitutes more than 15% of total receivables, break your answer down by type of paper such as automobile, household goods, mobile homes, etc.

5. a. What is basic method used in accounting for deferred income (sum of digits, liquidation, straight line or fixed percentage of outstanding)? Is procedure applied on an accrual or collection basis?  
b. If sum of digits or straight line methods are used are new charges inventoried on an account by account basis, spread over actual term by age group or spread over average term by group? If spread over average term, indicate number of months used.  
c. If sum of digits or straight line accrual methods are used, do transfers to income commence in month of acquisition or month following month of acquisition?
6. To what account(s) are rebates charged? If sum of digits or straight line methods are used on groups of accounts are rebates spread over actual terms or some average term? If spread over average term, indicate number of months used.
7. Are extension fees and late charges handled on an accrual or collection basis? Are these items credited to income or deferred income? If deferred income is handled on accrual basis are the charges rescheduled to reflect extensions?

DEFERRED INCOME - Answers to the preceding questions

1. The net finance charges on discounted receivables acquired are credited to unearned discount and service charges. A portion of such charges, generally 15%, is taken into income at the time of purchase of each contract to offset acquisition costs. The remainder of the finance charge is transferred to income over the periods covered by the notes, in diminishing monthly amounts proportionate to the decreasing balances of the receivables (sum-of-digits method).
2. In some cases our company defers initial nonrefundable finance charges. These are credited to deferred revenue. The credits are brought into income as stated in Note 1.
3. The balance of all finance charges, after crediting a set-up charge to income, is credited to deferred income.
4. No insurance income is recorded in our consumer finance subsidiaries, other than experience rebates on credit life insurance.
5. (a) See note 1 above.  
(b) The calculation is made by the computer on a separate account basis.  
(c) Transfers to income commence in the month of acquisition but only half the calculated amount is credited to income the first month.
6. Rebates are charged against the net income account in the month incurred.
7. Extension fees and late charges are handled on a collection basis. These items are credited to income. Charges are rescheduled to reflect extensions.

NOTE: All the above comments apply to our sales finance operations as well as our consumer finance operations.



# SCHEDULE E

## DIRECT CASH LOANS CLASSIFIED AS TO RECENCY OF PAYMENT

(Applicable to interest bearing, precomputed and discount basis loans)

NOTE - The company changed its policy in 1968 and now calculates all direct cash loan business on a recency-of-payment basis. In the past, the interest bearing loans were calculated on a recency basis and the precal loans were calculated on a contractual basis.

### 1. 60 day and over accounts

- Accounts which have had no collection of principal, interest or charges for 60 days or more - classified as to the period during which the last collection was received.

60 - 89 days

90 - days

120 days or more

- Accounts on which only interest, deferment, extension and/or default charges were received in the last 60 days.

Total

### 2. Partial payment accounts

Accounts on which the total amount applied to the unpaid balance in the last 60 days was less than 50% of the original contractual monthly payment.

Total

Number	Unpaid Balances
6,327	3,843,056
2,301	1,330,415
5,325	3,456,643
--	--
1,187	666,327
15,140	9,296,441
7,196	3,820,879
22,336	13,117,320

Note - None of the classifications in Schedule E shall include any loans made or contracts acquired during the last 60 days. Partial payment accounts should not include any accounts reported in 1a or 1b above. On interest bearing loans, a contractual monthly payment may be assumed to be the original principal amount divided by the scheduled number of monthly payments for purposes of compiling #2. No credit to unpaid balance resulting from a refund associated with accelerating or recomputing an account to put it on an interest bearing basis should be treated as a collection for purposes of classifying accounts above.

- If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule for Past Due Accounts in this paper showing (1) Classification (description) of paper; (2) Amount of instalments in each class over 60 days past due; (3) Amount of balances in each class over 60 days past due - ALL BASED ON PRESENT CONTRACT TERMS. \*

- If any receivables were purchased in bulk during the period, were these receivables considered as current at time of purchase or are past due accounts recorded above according to their actual degree of delinquency?

Past due accounts are recorded according to their actual degree of delinquency.

- What is your charge-off policy on accounts:

- After what period of delinquency is an account charged off?
- How often are charge-offs made? Monthly ( ), Quarterly ( ), Semi-Annually ( ), Annually ( ), Other ( ) Please specify No specific period is laid down except that accounts with no payments in the last six months are charged off.

\*Precomputed conditional sales finance accounts

60 - 89 days

90 days or more

Total

Number	Unpaid Balances
1,570	543,969
3,404	1,328,305
4,974	1,872,274

# SCHEDULE F – RESERVE FOR LOSSES RECONCILIATION

BALANCE BEGINNING OF PERIOD . . . . .

## ADDITIONS:

Appropriations from surplus . . . . .

Appropriations from income . . . . .

Recoveries (Reconcile with Schedule G) . . . . .

Other credits (Detail) (See. Schedule. B. of Sales. . . . .

Finance Company Questionnaire)

Total additions . . . . .

## DEDUCTIONS:

Losses charged (Reconcile with Schedule G) . . . . .

Transferred to other reserves (Specify) . . . . .

Transferred to income . . . . .

Other charges (Detail) . . . . .

Total deductions . . . . .

BALANCE END OF PERIOD . . . . .

6,810,239
3,120,200
697,384
338,315
4,155,899
2,783,679
9,471
2,793,150
8,172,988

# SCHEDULE G – LOSS EXPERIENCE FOR PERIOD:

## DIRECT CASH LOANS

Loans Charged Off . . . . . (A)

Less-Recoveries . . . . .

Net Losses . . . . .

Average Monthly Outstandings

(as determined from Schedule H) . . . . . (B)

% Net Losses to Average Outstandings

(on an annual basis) . . . . .

2,437,075
619,876
1,817,199
243,930,690
1.49 %

## OTHER PAPER\*

Outstandings beginning of period . . . . .

Volume during period . . . . .

Notes purchased (bulk) . . . . .

Total (1) . . . . .

Less:

Outstandings end of period . . . . .

Notes sold (bulk) . . . . .

Notes charged off . . . . .

Total (2) . . . . .

Liquidation (1) minus (2) . . . . .

Notes charged off . . . . .

Less Recoveries . . . . .

Net Losses . . . . .

% Net Losses to Liquidation . . . . .

51,282,044
40,465,324
546,241
92,293,609
67,429,144
346,603
67,775,747
24,517,862
346,603
77,507
269,096
1.10 %

(A) Are precomputed and discount basis loans charged off net of deferred charges? Yes X No \_\_\_\_.

(B) If answer to A is yes, deduct average unearned charges as determined from Schedule H, Column 3

\* Describe the types of receivables classified as "Other Paper" and furnish separate schedule showing beginning and end of period balances for each type:

SCHEDULE H

BALANCES OF DIRECT CASH LOANS AND BREAKDOWN OF COLLECTIONS:

Month	BALANCES OUTSTANDING—BEGINNING OF MONTH			* CASH COLLECTIONS—DURING THE MONTH			Deferred Income Taken into Earnings on Precomputed or Discount Basis Loans (7)	Balances Renewed during month (reconcile with Col. 2—Sched. C (8)
	Interest Bearing Loans (1)	Precomputed or Discount Basis Loans (Incl. Deferred Income) (2)	Reserve for Deferred Income (3)	Applied to Unpaid Face of Notes (4)	Interest and Charges not Applied to Face of Notes (5)	Total Cash Collections (Col. 4 plus 5) (6)		
1.	67,939,025	198,399,300	34,646,999	18,783,439	1,121,911	19,905,350	3,568,652	16,006,789
2.	69,518,600	206,382,625	36,972,893	13,803,162	1,230,613	15,033,775	3,425,706	9,120,542
3.	68,980,875	208,369,250	37,320,255	13,855,863	992,387	14,848,250	3,561,621	9,640,334
4.	68,582,375	212,510,375	38,130,858	18,235,553	1,087,722	19,323,275	4,092,134	13,358,695
5.	69,146,600	220,623,375	39,713,049	17,052,467	1,055,583	18,108,050	4,317,369	12,566,514
6.	69,833,750	229,737,750	42,645,533	16,420,760	1,073,665	17,494,425	4,199,017	11,839,667
7.								
8.								
9.								
10.								
11.								
12.								
Totals	414,001,225	1,276,022,675	229,429,587	98,151,244	6,561,881	104,713,125	23,164,499	72,532,541
Less: Deferred Income taken into Earnings (Col. 7)				23,164,498				
Principal Cash Collections				74,986,746				

1. Number of Loans outstanding at end of period 321,676 At beginning of period 306,976  
Maximum terms are \_\_\_\_\_ months. Loans under Consumer Loan Acts 30-36 months  
Large consumer loans outside of Consumer Loan Acts 36-48 months

2. If the "Other Paper Purchased" section of Schedule B (Volume) was filled out, please furnish a separate schedule similar to Schedule H above, showing by months, Balances Outstanding and Deferred Income at the beginning of the month and Cash Collections thereon. The great majority of these conditional sales contracts are rolled into loans and cash collections are not material.

Direct Cash Loans	Other Paper Purchased
44,327,683	
7,822,252	
156,602,362	41,011,564
45,131,042	6,494,750
238,667,351	67,429,144
69,331,207	

3. Precomputed or discount basis loans and contracts
  - A. Total Finance charges on new contracts acquired and loans made during period.
    1. Dollar amount credited to deferred income
    2. Dollar amount taken directly into income or credited to other accounts
  - B. Face amount of related receivables acquired
  - C. Dollar amount of deferred income at end of period
  - D. Dollar amount of related gross receivables at end of period
4. Dollar amount of interest bearing loans and contracts at end of period



**SCHEDULE I See Schedule E of the Sales Finance Questionnaire.**

NOTE: Please attach schedule of latest confirmed lines of credit from banks and name of broker handling sale of open market paper.

	Specify Secured or Unsecured	*Maximum Amount	*Minimum Amount	Owing at Statement Date
<b>BORROWINGS</b>				
**Bank loans under lines of credit				
**Open market borrowings				
**Other current loans				
Maturities of unsubordinated term debt due within one year		X X X X	X X X X	
Maturities of subordinated term debt due within one year		X X X X	X X X X	
Long term debt – not subordinated				
Long term debt – subordinated				

\*As determined by month end balances during the period.

Maximum total short term borrowings at any month end during the period: (All sources marked \*\* above)

\$ \_\_\_\_\_ Date \_\_\_\_\_

Have any receivables been sold (with or without recourse) during period? Specify details and amount.

**SCHEDULE J**

If 5% of your loan volume consisted of loans originally made for \$5,000 or more, give the following data on the ten loans having the largest loan balances at the end of the period:

- (a) Date made; (b) Original amount; (c) Amount outstanding; (d) Repayment Schedule; (e) Security; (f) Delinquency status.

**SCHEDULE K**

Please attach auditors' certificate of compliance with restrictive covenants contained in your most restrictive long term debt agreements relating to the maintenance of certain financial ratios and other financial conditions.

The foregoing information supplements our financial statement of May 31, 1969 prepared

by the company and is submitted for the purpose of obtaining credit.

Avco Delta Corporation

(Name of Company)

By

  
H. P. Paterno

(Title) President

PLEASE NOTE: The borrower is invited to submit any other pertinent information which would be of interest to the lender.







# OFFICERS and DIRECTORS

## DIRECTORS

W. D. Gaillard . . . . *Secretary, Avco Corporation*  
J. R. Gosnell . . . . *Chairman of the Finance Committee, Avco Corporation*  
J. R. Kerr\* . . . . *President, Avco Corporation*  
F. S. Larson\* . . . . *Vice President and Treasurer, Avco Corporation*  
H. P. Paterno\* . . . . *President*  
G. M. Tuttle\* . . . . *Vice President and General Counsel, Avco Corporation*  
K. R. Wilson, Jr.\* . . . *Chairman of the Board, Avco Corporation*  
R. W. Yantis\* . . . . *Group Executive, Financial Services, Avco Corporation*

*\*Executive Committee*

## SENIOR MANAGEMENT

J. R. Kerr . . . . . *Chairman of the Board*  
H. P. Paterno . . . . *President*  
C. J. Connell . . . . *Senior Vice President*  
T. M. Cumming . . . . *Senior Vice President*  
R. M. Hett . . . . . *Senior Vice President*  
D. J. Sadler . . . . . *Vice President*

## DIVISION MANAGEMENT

### **Automotive Division**

W. A. Gallaway . . . . *Vice President & General Manager*

### **Capital Equipment Division and Farm Equipment Division**

M. H. Bailey . . . . . *Vice President & General Manager*

### **Consumer Finance Division**

R. A. Anderson . . . . *Vice President & General Manager, United States*

C. L. Newton . . . . . *Vice President & General Manager, Canada*

### **Home Improvement Division**

S. S. Sheldon . . . . . *Vice President & General Manager*

### **Industrial Bank Division**

T. Jackson . . . . . *President & General Manager*

### **Insurance Division**

R. J. O'Brien . . . . . *Vice President & General Manager*

### **Thrift Division**

S. Nemirow . . . . . *President & General Manager*

### **Special Projects**

H. E. Dickerson . . . . *Vice President*





**AR46**Contact:

Keith P. Rowan  
Avco Corporation  
617-389-3000 (4/8 only), or  
203-552-1800

FOR IMMEDIATE RELEASE (THURSDAY, APRIL 8, 1971)

HOFFMANN-LA ROCHE WILL MARKET AVCO BALLOON PUMP  
HEART ASSIST DEVICE, STOCKHOLDERS TOLD

EVERETT, MASS., April 8 -- An agreement between Avco Corporation and Hoffmann-La Roche Inc., for marketing the circulatory heart assist device known as the Avco Intra-aortic Balloon Pump, was announced here today by James R. Kerr, Avco president and chief executive officer, to more than 400 stockholders attending the company's annual meeting. The site of the meeting was the Avco Everett Research Laboratory, where under the direction of Dr. Arthur Kantrowitz, the heart assist balloon pump was developed and will be produced.

Under the terms of the new agreement, the Roche Medical Electronics Division of Hoffmann-La Roche, a leading research-oriented and diversified pharmaceutical company, will market and service exclusively the balloon pump system throughout the United States, while the Avco Everett Research Laboratory will produce the device for Roche and maintain quality control of the system. The companies expect to begin distribution of the units within the next few months.





"Our research reveals a large potential market for heart assist equipment in this country alone," Mr. Kerr told the stockholder audience. "Of the two million heart disease victims in the United States each year, it is estimated that more than 250,000 are treatable with the balloon pump."

The Avco pump is a temporary, mechanical heart-assist system designed to support acute heart-attack victims through the critical phases of cardiogenic shock. It was developed by Avco working with a team of surgeons at Boston's Massachusetts General Hospital for use in hospital coronary or surgical intensive care units. At the present time, the system is being clinically used in eight hospitals throughout the country.

Dr. Kantrowitz, a director of Avco and head of the Laboratory stated that the system consists of an external drive-and-control console and a multi-segment balloon catheter. This is inserted under X-ray monitoring into the aorta, the major artery leading from the heart, through an incision in the groin.

Operating on the counterpulsation principle, as the heart pumps blood into the aorta, an electronic impulse from the heart causes the balloon to contract, creating a void for the heart to fill easily. As the heart relaxes, another impulse causes the balloon to expand and improve blood flow in the coronary arteries feeding the heart while improving the heart's function of forcing blood through the body. This action relieves the heart of a large portion of its workload.





Roche's medical electronic facility in Cranbury, New Jersey, is producing blood pressure and fetal heart monitoring instruments based upon sophisticated ultrasonic technology. These products are being distributed nationally through the division's specialized instrument sales force with extensive technical marketing back-up.

A leader in reentry physics research for the past 16 years, Avco Everett recently has applied its fluid dynamics and engineering experience to bio-medical engineering. The Avco Intra-aortic Balloon Pump system is the result of exhaustive theoretical and applied studies by Avco of blood flow and balloon design.

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